



Executive Summary

of Investment Performance

Prepared for:
California Public Employees' Retirement System

California Affiliate

- **Judges II**
- **Long Term Care**
- **Volunteer Firefighters**

California Legislators' Fund

Annuitants Healthcare Plan

California Supplemental Income Plans

Third Quarter 2007

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Capital Market Review	3
Summary of all Plans	6
PERF	7
California Affiliate	24
California Legislators'	31
Annuitants Health Care Plan	36
California Supplemental Income Plans	38
Appendix for PERF	45



Capital Market Overview

The marked volatility of capital markets in recent quarters continued unabated in the third quarter of 2007. The fragility of the U.S. economy's recent expansion was highlighted when, after strong gains in July, stocks were slammed in August by yet another spike in crude oil prices as well as a dramatic credit crunch related to the ongoing woes in the subprime mortgage markets. Less-than-stellar unemployment statistics, combined with signs of lower consumer spending (the main driver of the U.S. economy) and a slumping real estate sector, suggested that the economy's modest expansion could grind to a halt without central bank intervention to inject liquidity into the credit markets. The Federal Reserve Board did just that, dropping the Federal Reserve Bank discount rate (the rate charged to commercial banks and other depository institutions) 50 basis points to 5.75% on August 17, then lowering the federal funds rate 50 b.p. to 4.75% on September 18, as well as lowering the discount rate another 50 b.p. to 5.25%. Stocks rallied smartly in response, and the turmoil in bond markets calmed down somewhat. Although crude oil closed the quarter at \$81.66 a barrel (up 15.5% over the June 29 close), consumer-level inflation moderated, with the U.S. Consumer Price Index (All Urban Consumers) rising a scant 0.07% over the quarter. The drama of the U.S. economy impacted stock markets worldwide, with most major bourses losing some ground over the quarter in local currency terms; however, the overall weakness of the U.S. dollar translated the offshore performance into moderate gains for US-based investors.

U.S. Equity

Despite the turbulence investors had to ride out over the third quarter, the overall U.S. stock market ended with moderate gains once the dust had settled. The Standard & Poor's 500 Index returned 2.05% for the quarter, comfortably beating the broader Dow Jones Wilshire 5000 Index's 1.46% gain. There was a clear preference for larger-cap stocks, with the DJW Large Cap Index (2.12%) handily outpacing both the DJW Small Cap (-2.36%) and the DJW Micro Cap (-4.79%) indexes. Notable pullbacks in value-oriented stock sectors such as Finance and Consumer Durables dragged broad value indexes down, while Technology stock strength pushed broad growth indexes to outperform overall (DJW Large Value, 0.76%, DJW Large Growth, 3.46%; DJW Small Value, -4.49%, DJW Small Growth, -0.30%). However, among S&P 500 stock sectors, Energy stocks led all others, with its 10.22% return eclipsing Capital Goods (7.39%) and Technology (7.29%). The slowdown in consumer spending hit the Consumer Durables sector especially hard (-8.88%), while the subprime crisis hit earnings for Finance stocks (-4.11%). Real Estate securities demonstrated notable resilience, recovering from last quarter's dramatic slide to post a modest gain for the third quarter (DJW Real Estate Securities, 1.44%).



U.S. Fixed Income

Given the challenging market environment for fixed income investors, the Fed's interest rate cuts were welcome relief, and investment-grade bonds posted solid gains for the quarter (Lehman Aggregate, 2.85%). An immediate side effect of the Fed's actions was seen in the U.S. Treasury yield curve, which assumed a more positive slope by the end of the third quarter—a signal that investors do not see recession as an imminent threat. However, investors also moved into high-quality, low-volatility medium-term Treasuries during the third quarter, leading to the curious phenomenon of Treasuries through the ten-year maturity having lower yields than the Fed Funds overnight rate. The two-year Treasury yield, for example, settled at 3.98% as of September 28—lower than the Fed Funds rate and a whopping 92 b.p. below the rate as of June 29. The thirty-year Treasury yield fell only 29 b.p. over the quarter, to 4.84%. Naturally, in a falling interest-rate environment, long-term paper benefited more than shorter-term bonds (Lehman Long Treasury, 4.88%; Lehman 1-3 Year Treasury, 2.64%). The subprime market crisis has fueled a flight to higher quality in the bond markets, and unsurprisingly, government issuance outperformed corporates during this past quarter (Lehman Government, 3.61%; Lehman Credit, 2.07%), as well as mortgage-backed securities (Lehman Mortgage, 2.73%). In fact, credit risk pushed yields higher for lower-quality paper in general, especially in the below-investment-grade sector, where performance lagged badly behind high-quality issues (Lehman High Yield, 0.33%).

Global Markets

Global markets were not spared the drama of the third quarter, with developed markets in particular taking a hit in local currency terms. As these local currencies spiked in value against the U.S. dollar, companies that export goods to the U.S. suffered as their goods became more expensive on a dollar basis. The Asia-Pacific region, especially Japan, felt this pain a bit more deeply than Europe (MSCI Pacific Net, -2.85% local; MSCI Europe Net, -2.32% local); however, a sharp uptick in the value of the yen helped Asia-Pacific stocks as a whole outperform European equity in dollar terms (MSCI Pacific Net, 3.29% USD; MSCI Europe Net, 1.69% USD). Emerging market stocks, however, especially those related to oil and other precious commodities, enjoyed excellent performance in the third quarter, handily outdistancing developed market stocks (MSCI Emerging Markets Net, 12.51% local, 14.42% USD; MSCI EAFE Net, -2.52% local, 2.18% USD). Global fixed income markets experienced the same challenges as U.S. bond markets, and also ended the quarter with positive performance thanks to lower U.S. interest rates and a weak U.S. dollar (Lehman Global Aggregate, 5.60% USD; JP Morgan Emerging Markets Bond Plus, 3.07% USD).



Summary of Index Returns

For Periods Ended September 30, 2007

	<u>Quarter</u>	<u>One Year</u>	<u>Three Years</u>	<u>Five Years</u>	<u>Ten Years</u>
Domestic Equity					
Standard & Poor's 500	2.05%	16.48%	13.15%	15.46%	6.58%
Dow Jones Wilshire 5000	1.46	16.99	13.98	16.50	6.84
Dow Jones Wilshire 4500	-0.60	18.83	16.23	19.94	7.90
Dow Jones Wilshire Large Cap	2.12	17.21	13.88	15.93	6.76
Dow Jones Wilshire Small Cap	-2.36	16.46	15.24	20.65	8.77
Dow Jones Wilshire Micro Cap	-4.79	9.51	10.79	22.44	11.18
Domestic Equity					
Dow Jones Wilshire Large Value	0.76%	15.82%	15.27%	17.25%	8.70%
Dow Jones Wilshire Large Growth	3.46	18.54	12.34	14.54	4.46
Dow Jones Wilshire Mid Value	-4.99	12.56	12.44	16.32	10.59
Dow Jones Wilshire Mid Growth	1.03	24.95	19.69	22.42	6.63
Dow Jones Wilshire Small Value	-4.49	11.35	13.48	19.09	10.64
Dow Jones Wilshire Small Growth	-0.30	21.62	16.88	22.13	6.01
International Equity					
MSCI All World ex U.S.	4.69%	31.06%	26.52%	26.33%	9.17%
MSCI EAFE	2.18	24.86	23.23	23.55	7.97
MSCI Europe	1.69	27.51	24.72	25.46	9.61
MSCI Pacific	3.29	19.16	20.08	19.36	4.89
MSCI EMF Index	14.52	58.63	41.29	39.11	11.94
Domestic Fixed Income					
Lehman Aggregate Bond	2.85%	5.13%	3.86%	4.13%	5.96%
Lehman Credit	2.07	4.23	3.45	5.02	6.13
Lehman Mortgage	2.73	5.40	4.29	4.14	5.84
Lehman Treasury	3.81	5.63	3.72	3.40	5.85
Citigroup High Yield Cash Pay	0.54	7.60	7.14	12.75	6.32
91-Day Treasury Bill	1.33	5.20	4.09	2.93	3.77
International Fixed Income					
Citigroup World Gov. Bond	7.20%	8.69%	4.61%	6.99%	5.93%
Citigroup Non-U.S. Gov. Bond	8.10	9.50	4.84	7.98	5.75
Citigroup Hedged Non-U.S. Gov.	2.90	3.57	4.62	4.06	5.79
Currency*					
Euro vs. \$	5.30%	12.27%	4.62%	7.55%	-.%
Yen vs. \$	7.37	2.65	-1.41	1.14	0.49
Pound vs. \$	1.55	9.07	4.03	5.31	2.35
Real Estate					
Dow Jones Wilshire REIT Index	1.42%	3.80%	19.62%	21.88%	12.80%
Dow Jones Wilshire RESI	1.44	3.88	19.71	22.47	12.41
NCREIF Property Index	3.56	17.30	18.03	14.79	13.07

*Positive values indicate dollar depreciation.



Summary Review of Plans

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
TOTAL FUND for PERF	\$254.6 bil	3.0%	17.1%	15.1%	15.5%	8.6%
<i>Total Fund Policy Index</i>		3.0%	16.1%	14.0%	14.6%	7.9%
<i>Actuarial Rate</i>		1.9%	7.8%	7.8%	7.9%	8.0%
<i>TUCS Public Fund Median</i>		2.2%	14.2%	12.4%	13.3%	7.6%
<i>Wilshire Large Fund Universe Median ¹</i>		2.4%	15.4%	13.6%	14.4%	7.8%
Affiliate Fund						
Judges II	\$263.1 mil	2.8%	13.1%	12.4%	13.3%	7.3%
<i>Weighted Policy Benchmark</i>		2.5%	12.5%	11.8%	12.8%	7.2%
Long Term Care ("LTC")	\$2,315.2 mil	2.8%	12.8%	11.6%	13.1%	7.2%
<i>Weighted Policy Benchmark</i>		2.7%	12.3%	10.9%	12.4%	7.1%
Volunteer Firefighters ("VFF")	\$3.6 mil	2.3%	12.8%	12.8%	13.5%	7.6%
<i>Weighted Policy Benchmark</i>		2.1%	12.8%	12.0%	12.8%	7.5%
Annuity Health Care	\$43.3 mil	2.8%	-.%	-.%	-.%	-.%
<i>Weighted Policy Benchmark</i>		2.5%	-.%	-.%	-.%	-.%
<i>TUCS Public Fund Median</i>		2.2%	14.2%	12.4%	13.3%	7.6%
Legislators' Fund						
LRS	\$144.7 mil	3.1%	10.5%	9.1%	10.3%	7.3%
<i>Weighted Policy Benchmark</i>		3.1%	10.3%	8.8%	9.9%	7.6%
<i>TUCS Public Fund Median</i>		2.2%	14.2%	12.4%	13.3%	7.6%
Supplemental Income Plans	\$23.3 mil	2.6%	14.8%	12.7%	13.9%	-.%
<i>Weighted Policy Benchmark</i>		2.6%	15.0%	12.3%	13.8%	-.%

¹ The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocation.



PERF Information



Total Fund Review PERF Periods Ended 9/30/2007

	Market Value	Five-Year Ratios								
		Qtr	1 Year	3 Year	5 Year	10 Year	Var ¹³	PAR ¹⁴	Sharpe ¹⁵	Info ¹⁵
TOTAL FUND	\$254.6 bil	3.0%	17.1%	15.1%	15.5%	8.6%	\$7.0 bil	1.0%	1.9	1.4
Total Fund Policy Index ²		3.0%	16.1%	14.0%	14.6%	7.9%			1.8	0.0
Actuarial Rate		1.9%	7.8%	7.8%	7.9%	8.0%				
TUCS Public Fund Median		2.2%	14.2%	12.4%	13.3%	7.6%				
Wilshire Large Fund Universe Median ³		2.4%	15.4%	13.6%	14.4%	7.8%				
TOTAL GLOBAL EQUITY EX-AIM ⁴	146.0	1.6%	20.5%	17.9%	19.6%	8.2%	\$13.6 bil	0.6%	1.5	0.3
Equity Policy Index ⁵		2.5%	21.5%	17.8%	19.4%	7.6%			1.5	0.0
TUCS Equity Median ⁶		0.6%	16.4%	14.3%	17.6%	8.4%				
TOTAL FIXED INCOME ⁷	67.0	3.8%	6.0%	5.1%	7.0%	6.9%	\$1,338 mil	0.4%	0.8	1.7
Fixed Income Policy Index ⁸		3.8%	5.2%	4.3%	5.3%	6.5%			0.5	0.0
TUCS Fixed Income Median		2.5%	5.3%	4.2%	4.6%	6.2%				
TOTAL REAL ESTATE ⁹	20.4	4.3%	14.8%	26.8%	20.0%	15.5%	\$507 mil	0.6%	2.6	4.7
NCREIF Property Index Lagged		4.6%	17.2%	18.0%	14.4%	13.1%				
TUCS Real Estate Median		3.1%	14.8%	18.8%	16.1%	12.9%				
TOTAL AIM PROGRAM	19.2	11.5%	30.0%	24.8%	16.5%	13.6%	\$140 mil	0.7%	1.6	1.6
Policy Index ¹⁰		4.7%	16.9%	17.9%	11.3%	5.8%				
CASH EQUITIZATION PROGRAM ¹¹	2.1	-2.0%	3.7%	3.8%	2.8%	4.0%				
Custom STIF ¹²		1.3%	5.4%	4.2%	3.0%	3.9%				

² The Total Fund Policy Index return equals the return for each asset class benchmark weighted at the current target asset allocations.

³ These returns represent preliminary numbers.

⁴ Includes domestic equity, international equity, corporate governance, and MDP ventures.

⁵ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

⁶ Includes domestic and international equity.

⁷ The Total Fixed Income Composite does not include LM Capital. LM Capital has been mapped to the domestic equity composite, effective 1Q2005, per CalPERS' direction.

⁸ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

¹⁰ The AIM Policy Index consists of the Custom Young Fund Universe and is linked historically to its prior benchmark.

¹¹ Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

¹² The Custom STIF Policy Index is a custom index maintained by SSgA.

¹³ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

¹⁴ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

¹⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the total risk taken. The 5-year period was selected to provide sufficient data points for a meaningful calculation, but is still short enough to reflect the changes to the investment programs over the last few years.



Total Fund Review for PERF (continued)

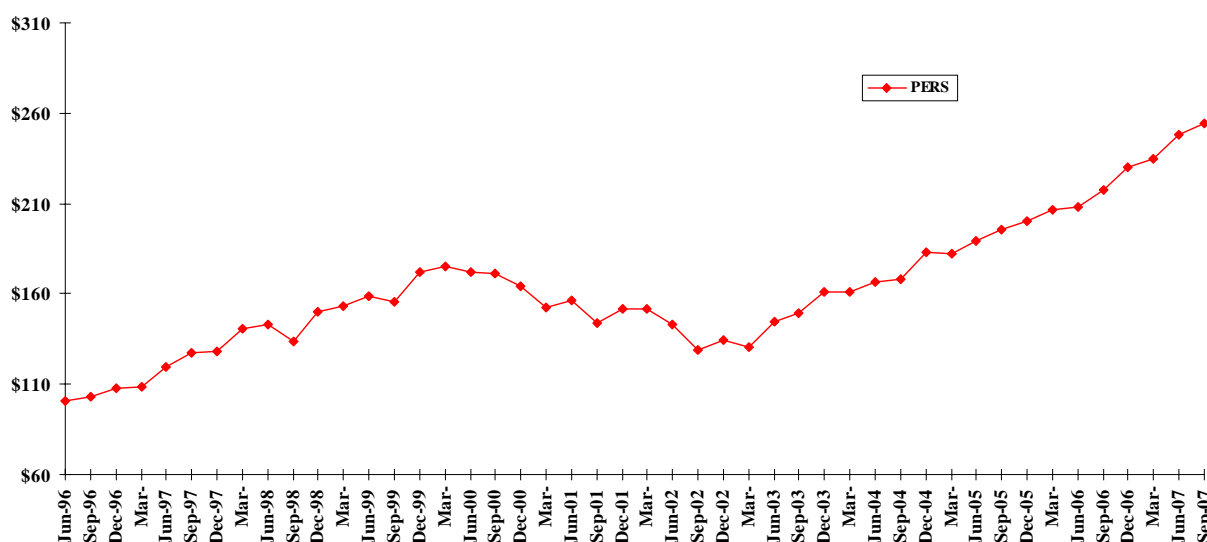
Periods Ended 9/30/07

Total Fund Flow

<u>(\$Millions)</u>	<u>Beg. Mkt Value</u>	<u>Net Cash Flow</u>	<u>Invest. Mgmt Fees</u>	<u>Invest. Gain/Loss</u>	<u>End. Mkt Value</u>	<u>Total Return</u>
3Q2007	247,680	251	(91)	6,787	254,627	3.0%

Historical Growth of Assets

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>1Q06</u>	<u>2Q06</u>	<u>3Q06</u>	<u>4Q06</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>
Market Value (\$bil)	164.6	151.7	134.1	161.0	182.8	200.6	206.9	208.0	217.6	230.3	234.8	247.7	254.6



Asset Allocation

Asset Allocation: Actual versus Target Weights

<u>Asset Class</u>	<u>Actual Asset Allocation Quarter Ending</u>	<u>Target Asset Allocation</u>	<u>Difference Ending</u>
Equities	57.3%	60.0%	-2.7%
Fixed Income	26.3%	26.0%	0.3
Real Estate	8.0%	8.0%	0.0
AIM	7.5%	6.0%	1.5
Cash Equivalents	0.8%	0.0%	0.8

CalPERS Historical Asset Allocation

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>1Q07</u>	<u>2Q07</u>	<u>3Q07</u>
% Equity	62	66	69	70	64	63	57	63	63	62	63	62	61	57
% AIM	-	-	-	-	-	-	5	5	5	5	6	6	6	8
% Fixed Income	31	28	26	24	29	27	28	24	24	25	23	23	24	26
% Real Estate	6	5	4	5	6	9	9	7	6	5	8	8	8	8
% Cash	1	1	1	1	1	1	1	1	1	3	1	1	1	1



California Public Employees' Retirement System
Total Fund Attribution
Total Composite
Quarter Ended 9/30/07

Composite	Allocation			Returns			Total Fund Return Contribution					
	Policy (%)	Actual (%)	Difference (%)	Policy (%)	Actual (%)	Difference (%)	Actual Allocation (%)	Active Mgmt (%)	Activity (%)	Strategic Policy (%)	Weighted Return (%)	
Total Equity ex-AIM	60.0	61.3	1.3	2.5	1.6	-0.9	0.0	-0.5	0.0	1.5	1.0	
U.S. Equity	38.8	37.7	-1.1	1.7	1.3	-0.4	0.0	-0.2	0.0	0.7	0.5	
Internal Passive (including DCF)	28.0	27.5	-0.5	1.7	1.7	0.0	0.0	0.0	0.0	0.5	0.5	
Internal Enhanced	2.0	2.1	0.1	1.7	0.3	-1.4	0.0	0.0	0.0	0.0	0.0	
External Enhanced	4.0	3.1	-0.9	1.7	0.2	-1.5	0.0	0.0	0.0	0.1	0.0	
Active	2.0	2.1	0.1	1.7	1.5	-0.2	0.0	0.0	0.0	0.0	0.0	
Corporate Governanace	2.0	1.2	-0.8	1.8	-5.6	-7.4	0.0	-0.1	0.0	0.0	-0.1	
Long/Short	0.0	1.3	1.3	2.0	-0.6	-2.6	0.0	0.0	0.0	0.0	0.0	
MDP	0.8	0.5	-0.3	1.6	2.4	0.8	0.0	0.0	0.0	0.0	0.0	
Non-U.S. Equity	19.4	21.3	1.9	4.1	3.1	-1.0	0.0	-0.2	0.1	0.8	0.7	
Passive	10.0	11.1	1.1	2.9	2.2	-0.7	0.0	-0.1	0.0	0.3	0.2	
Enhanced	1.7	2.0	0.3	3.0	2.1	-0.9	0.0	0.0	0.0	0.1	0.0	
Active	3.8	4.6	0.8	3.0	4.1	1.1	0.0	0.1	0.0	0.1	0.2	
Emerging Markets	2.5	2.5	0.0	10.7	10.1	-0.6	0.0	0.0	0.0	0.3	0.3	
Corporate Governanace	1.0	1.0	0.0	-3.6	-3.8	-0.2	0.0	0.0	0.0	0.0	0.0	
MDP	0.4	0.2	-0.2	3.5	1.5	-2.0	0.0	0.0	0.0	0.0	0.0	
Currency Overlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
RM ARS	2.0	2.3	0.3	3.1	-0.2	-3.3	0.0	-0.1	0.0	0.1	0.0	
Total Fixed Income	26.0	23.9	-2.1	3.8	3.8	0.0	0.0	0.0	0.0	0.9	0.9	
U.S. Fixed Income	23.0	21.0	-2.0	3.3	3.3	0.0	0.0	0.0	-0.1	0.8	0.7	
Internal U.S. Bonds	21.2	20.1	-1.1	3.3	3.4	0.1	0.0	0.0	0.0	0.7	0.7	
Special Investments	1.0	0.4	-0.6	3.3	2.2	-1.1	0.0	0.0	0.0	0.0	0.0	
Opportunistic^	0.8	0.3	-0.5	0.4	-0.9	-1.3	0.0	0.0	0.0	0.0	0.0	
Non-U.S. Fixed Income	3.0	2.9	-0.1	7.7	7.6	-0.1	0.0	0.0	0.0	0.2	0.2	
Commodities	0.0	0.2	0.2	10.5	10.4	-0.1	0.0	0.0	0.0	0.0	0.0	
Real Estate	8.0	8.2	0.2	4.6	4.3	-0.3	0.0	0.0	0.0	0.4	0.4	
AIM Program	6.0	6.2	0.2	4.7	11.5	6.8	0.0	0.4	0.0	0.3	0.7	
Cash Equization	0.0	0.6	0.6	1.3	-2.0	-3.3	0.0	0.0	0.0	0.0	0.0	
Total Fund	100.0	100.0	0.0	3.0	3.0	0.0	0.0	-0.1	0.1	3.0	3.0	

The Total Fund Attribution displays the return contribution of each asset class to the total fund using the allocation to each program at the beginning of the quarter and this quarter's returns to determine if tactical allocation and active management within asset classes helped or hurt performance.



Total Fund Review for PERF (continued)

- ◆ The California Public Employees' Retirement System ("CalPERS, the System") generated a total fund return of 3.0%, for the quarter ended September 30, 2007. CalPERS' return can be attributed as follows:

+3.0% Strategic Policy Allocation
+0.0% Actual/Tactical Asset Allocation
+0.1% Activity/Timing
-0.1% Active Management
+3.0% Total Return

- ◆ The total fund attribution table on the previous page displays the return contribution of each asset class to the total fund. This table will allow the Board to see if tactical allocation and active management within asset classes helped or hurt performance during the quarter.
 - Strategic Policy: The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
 - Activity: The Activity contribution column is the difference between the "buy and hold" portfolio and the weighted return and would be caused by timing and size of cash flows (transfers, deposits, and withdrawals).
 - Actual Allocation: The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e. the actual allocation to total equity was higher than the policy allocation). A positive number would indicate an overweight benefited performance and vice versa.
 - Active Management: The return contribution from active management. The number would be positive if the asset class outperformed the designated policy index and vice versa (i.e. the US fixed income segment outperformed its custom benchmark during the quarter and contributed positively to active management).
 - Actual Return: The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.
- ◆ The Total Fund composite equaled its strategic policy. The System has beaten its weighted policy index and its actuarial rate of return for the 1-year, 3-year, 5-year, and 10-year periods.



Total Fund Review for PERF (continued)

Helped Performance:

- ◆ **U.S. Bond Exposure:** Bond markets saw yields fall as investors moved out of equities and into fixed income securities for the quarter. The US Bond segment was able to beat the total fund policy return of 3.0 for quarter but has lagged the total fund policy for all other listed periods.
- ◆ **International Equity Exposure:** The System's international equity program returned 3.1% and outperformed the policy index return for the quarter. International equities have also outperformed the total fund policy for the one year, three year, five year, and ten year periods.
- ◆ **Real Estate:** The System's real estate segment returned 4.3%, outperforming the total fund policy's return. The program has produced stellar returns and has outperformed versus the total fund policy for the three-year, five-year and ten-year periods.
- ◆ **AIM Program:** The alternative investment program outperformed the total fund and equity policies and continues to contribute favorably to the total fund policy for the one year, three year, five year, and ten year periods.
- ◆ **International Fixed Income:** The international bond segment returned 7.7% for the quarter and outperformed the total fund policy.

Impeded Performance:

- ◆ **U.S. Equity Exposure:** The System's U.S. equity asset class returned 1.3% which underperformed the total fund policy return. Domestic equities have outperformed the total fund policy for the one year and five year periods.
- ◆ **RM ARS Program:** The RM ARS Program underperformed the total fund policy and the US Equity segment for the quarter. The US equity segment was its funding source.
- ◆ **Corporate Governance:** The System's corporate governance program underperformed the total fund policy for the quarter. However, the corporate governance segment has produced favorable contributions to the total fund performance for the three year and five year time periods.



Total Equity Review for PERF Periods Ended 9/30/07

Equity Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Equities	36.4	40.0%	-3.6
Non US Equities	20.9	20.0	+0.9

Equity Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ²³	PAR ²⁴	5-year Sharpe Ratio ²⁵	5-year Info Ratio ²⁵
Total Global Equity ex-AIM¹⁶	146.0	1.6%	20.5%	17.9%	19.6%	8.2%	\$13.6 bil	0.6%	1.5	0.3
<i>Equity Policy Index¹⁷</i>		2.5%	21.5%	17.8%	19.4%	7.6%			1.5	0.0
<i>Value Added</i>		-0.9%	-1.0%	0.1%	0.2%	0.6%				
US Equity Composite	85.3	1.3%	17.1%	13.6%	16.2%	6.9%	\$6.7 bil	0.1%	1.3	0.1
<i>PERS Wilshire 2500 Index</i>		1.7%	17.3%	13.7%	16.2%	6.6%			1.3	0.0
<i>Value Added</i>		-0.4%	-0.2%	-0.1%	0.0%	0.3%				
Non-US Equity Composite	48.9	3.1%	28.3%	25.4%	24.3%	8.9%	\$6.4 bil	0.4%	1.6	-1.0
<i>PERS Custom Index¹⁸</i>		4.1%	30.3%	26.1%	26.0%	8.0%			1.7	0.0
<i>Value Added</i>		-1.0%	-2.0%	-0.7%	-1.7%	0.9%				
RM ARS Program	6.2	-0.2%	14.0%	12.4%	11.2%	-.%	\$ 62.0 mil	0.2%	1.6	0.0
<i>Policy Index¹⁹</i>		3.1%	10.7%	8.9%	11.3%	-.%			1.9	0.0
<i>Value Added</i>		-3.3%	3.3%	3.5%	-0.1%	-.%				
Corporate Governance	5.6	-4.7%	13.6%	16.6%	20.5%	-.%			1.2	0.2
<i>Policy Index²⁰</i>		-0.7%	14.0%	16.4%	18.8%	-.%			1.4	0.0
<i>Value Added</i>		-4.0%	-0.4%	0.2%	1.7%	-.%				
Total Global Equity ex-AIM & ex-Currency overlay²¹	146.2	2.0%	21.1%	17.8%	19.4%	-.%				
<i>Equity Policy Index²²</i>		2.5%	21.5%	17.8%	19.4%	-.%				
<i>Value Added</i>		-0.5%	-0.4%	0.0%	0.0%	-.%				

¹⁶ Includes domestic equity, international equity, corporate governance, currency overlay, and the RM ARS program. The composites do not add up due to the following accounts being included in the Total Global Equity Ex- Aim and not in the underlying composites: LM Capital, Internal Domestic and International Equity Transition accounts. In addition, there may be rounding differences.

¹⁷ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

¹⁸ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

¹⁹ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note +5% and is linked historically to its prior benchmark.

²⁰ The Corporate Governance Index return equals the return for each manager's benchmark weighted at the current target asset allocation.

²¹ Includes domestic equity, international equity, corporate governance, and the RM ARS program.

²² The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.

²³ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

²⁴ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

²⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per unit of excess risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



Total Equity Review for PERF (continued)

Comments Regarding Recent Equity Segment Performance

Helped or Equaled Performance:

- ◆ **International Equity Exposure:** The System's international equity managers outperformed the equity policy and the total fund policy benchmark this quarter. The segment has added value since inception.
- ◆ **Internal International Equity Index:** The System's internally managed international equity index outperformed the equity policy index over the quarter. The index has added value over longer periods.
- ◆ **Emerging Markets Exposure:** The System's emerging market managers outperformed the equity policy index. The emerging markets segment outpaced the total equity return over all other longer periods.

Impeded Performance:

- ◆ **Internal PERS 2500:** The System's internal PERS 2500 index fund lagged the equity policy index. The fund's performance matched that of its custom benchmark which is consistent with its objective.
- ◆ **Dynamic Completion Fund (DCF):** The DCF portfolio lagged the equity policy return for the quarter and has underperformed over all time periods.
- ◆ **Corporate Governance:** The corporate governance program lagged the total equity policy index for the quarter, one year, three and five year time periods. However, it has also outperformed the domestic equity policy index over the five year time period.
- ◆ **RM ARS Program:** The System's RM ARS program lagged the equity policy index for the quarter.
- ◆ **Domestic Equity MDP:** The System's domestic MDP program lagged the total equity policy.
- ◆ **Environmental Domestic Equity:** The environmental domestic equity lagged the total equity policy for the quarter.
- ◆ **Domestic Internal Micro-Cap Exposure:** The internal micro-cap portfolio lagged the equity policy index over the quarter.
- ◆ **International Environmental Program:** The international environmental program lagged the total equity policy this quarter.
- ◆ **International Equity MDP:** The international equity MDP program lagged the total equity policy this quarter.



Total Equity Review for PERF - U.S. Equity Manager Performance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
US Equity Composite²⁶	85.3	1.3%	17.1%	13.6%	16.2%	6.9%	12/79
PERS Wilshire 2500 Index		1.7%	17.3%	13.7%	16.2%	6.6%	
Value Added		-0.4%	-0.2%	-0.1%	0.0%	0.3%	
Total Internal Equity²⁶	68.0	1.5%	17.5%	13.8%	16.1%	6.8%	6/88
Internal PERS 2500	55.5	1.7%	17.5%	13.9%	16.3%	6.8%	12/91
PERS Wilshire 2500		1.7%	17.3%	13.7%	16.2%	6.6%	
Tracking Error		0.0%	0.2%	0.2%	0.1%	0.2%	
Dynamic Completion Fund (DCF)	4.9	1.9%	17.6%	12.7%	14.0%	-.%	9/98
Custom Benchmark		1.9%	18.3%	12.9%	14.0%	-.%	
Tracking Error		0.0%	-0.7%	-0.2%	0.0%	-.%	
Domestic Enhanced Index Strategy	5.3	0.3%	17.9%	15.3%	18.4%	-.%	3/01
PERS Wilshire 2500		1.7%	17.3%	13.7%	16.2%	-.%	
Value Added		-1.4%	0.6%	1.6%	2.2%	-.%	
Internal Domestic Fundamental	1.2	-0.5%	15.5%	-.%	-.%	-.%	6/06
PERS Wilshire 2500		1.7%	17.3%	-.%	-.%	-.%	
Value Added		-2.2%	-1.8%	-.%	-.%	-.%	
Internal Microcap	0.8	-3.1%	13.5%	13.5%	-.%	-.%	9/03
Custom Benchmark		-4.1%	12.5%	13.5%	-.%	-.%	
Tracking Error		1.0%	1.0%	0.0%	-.%	-.%	
Transition Account	0.1	-.%	-.%	-.%	-.%	-.%	
Total External Domestic Equity	16.8	0.7%	15.3%	13.2%	16.7%	7.6%	6/87
Total Active External Mainstream	4.8	2.0%	17.1%	14.1%	17.2%	-.%	6/98
Total Domestic Ext. Enhanced	7.5	0.2%	14.0%	12.6%	-.%	-.%	9/04
Custom Benchmark		1.7%	16.5%	13.2%	-.%	-.%	
Value Added		-1.5%	-2.5%	-0.6%	-.%	-.%	
Long/Short	3.2	-0.6%	-.%	-.%	-.%	-.%	6/07
Custom Benchmark		2.0%	-.%	-.%	-.%	-.%	
Value Added		-2.6%	-.%	-.%	-.%	-.%	
Total Domestic Equity MDP	1.1	2.4%	19.2%	14.0%	16.2%	-.%	12/00
Total Domestic Equity MDP Ventures	0.0	0.0%	235.2%	160.9%	89.9%	-.%	3/01
Environmental Domestic Equity	0.3	2.0%	16.9%	-.%	-.%	-.%	3/05
Custom Benchmark		2.0%	16.8%	-.%	-.%	-.%	
Value Added		0.0%	0.1%	-.%	-.%	-.%	
Domestic Equity Active Manager Program²⁷							
Active External Managers + Enh + DCF	20.5	0.9%	15.6%	12.8%	15.5%	-.%	6/98
PERS Wilshire 2500		1.7%	17.3%	13.7%	16.2%	-.%	
Value Added of Active Mgr Program		-0.8%	-1.7%	-0.9%	-0.7%	-.%	

²⁶ Composites may not add up exactly due to rounding. The US Equity Composite includes LM Capital which is a fixed income manager that has been allocated to the equity segment.

²⁷ This composite combines components listed above to present a comparison of the total domestic equity active manager program versus its benchmark.



Total Equity Review for PERF - International Equity Manager Performance

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10-Year</u>	<u>Date</u>
Non-US Equity Composite ²⁸	48.9	3.1%	28.3%	25.4%	24.3%	8.9%	6/89
<i>PERS Custom Index</i> ²⁹		4.1%	30.3%	26.1%	26.0%	8.0%	
<i>Value Added</i>		-1.0%	-2.0%	-0.7%	-1.7%	0.9%	
Int'l Active Equity + MDP + Enh	17.1	3.3%	29.2%	25.7%	24.3%	8.5%	3/89
<i>Custom Benchmark</i>		4.1%	30.3%	26.1%	26.0%	9.9%	
<i>Value Added</i>		-0.8%	-1.1%	-0.4%	-1.7%	-1.4%	
Int'l Emerging Markets	6.2	10.1%	51.3%	40.0%	38.8%	-.-%	9/02
<i>CalPERS FTSE All Emerging Index (with Tobacco)</i>		10.7%	54.4%	39.7%	37.2%	-.-%	
<i>Value Added</i>		-0.6%	-3.1%	0.3%	1.6%	-.-%	
Total Int'l MDP ³⁰	0.4	1.5%	24.2%	21.9%	21.9%	-.-%	6/00
Fundamental Developed Intl	1.2	2.4%	-.-%	-.-%	-.-%	-.-%	3/07
<i>CalPERS FTSE Developed Index</i>		2.9%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-0.5%	-.-%	-.-%	-.-%	-.-%	
Structured Emerging Markets	0.1	10.7%	-.-%	-.-%	-.-%	-.-%	6/07
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		10.6%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.1%	-.-%	-.-%	-.-%	-.-%	
Fundamental Emerging Markets	0.1	11.1%	-.-%	-.-%	-.-%	-.-%	6/07
<i>CalPERS FTSE All Emerging (w/o Tobacco)</i>		10.6%	-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		0.5%	-.-%	-.-%	-.-%	-.-%	
Total Int'l Ventures	0.0	-0.9%	38.8%	65.2%	56.1%	-.-%	3/02
Internal International Equity Index	24.6	3.0%	26.8%	-.-%	-.-%	-.-%	6/05
<i>Custom Benchmark</i>		2.9%	26.5%	-.-%	-.-%	-.-%	
<i>Tracking Error</i>		0.1%	0.3%	-.-%	-.-%	-.-%	
Environmental International ³¹	0.2	1.5%	25.8%	-.-%	-.-%	-.-%	3/06
<i>Custom Benchmark</i>		<u>3.0%</u>	<u>26.7%</u>	<u>-.-%</u>	<u>-.-%</u>	<u>-.-%</u>	
<i>Value Added</i>		-1.5%	-0.9%	-.-%	-.-%	-.-%	
Total Intl Equity ex-AIM & ex-Currency overlay ³²		3.2%	29.0%	25.9%	25.5%	-.-%	
<i>Custom Benchmark</i>		3.9%	29.7%	25.9%	25.8%	-.-%	
<i>Value Added</i>		-0.7%	-0.7%	0.0%	-0.3%	-.-%	

²⁸ Composite may not add up exactly due to rounding.

²⁹ The PERS Custom Index currently represents the FTSE All World ex US Index. This Index is linked historically to its prior benchmarks.

³⁰ Total MDP market value is also included in the International Active Equity + MDP Composite.

³¹ The currency overlay portfolios' values are included in the international equity index.

³² Includes domestic equity, international equity, corporate governance, and the RM ARS program.

³³ The Equity Policy Index return equals the benchmark returns for the domestic equity and international equity segments weighted at policy allocation target percentages.



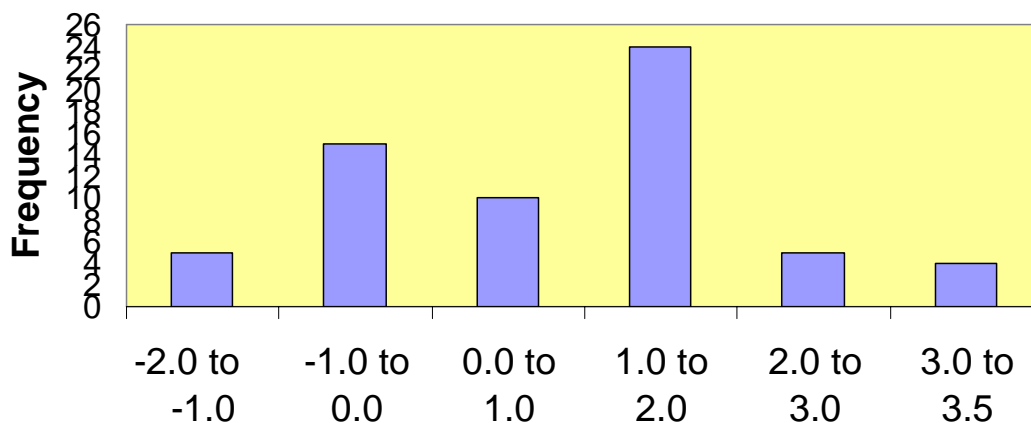
RM ARS Program Review for PERF Period Ended 9/30/07

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>5-Year</u> <u>Info</u> <u>Ratio</u> ³⁵	<u>5-Year</u> <u>Up</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Down</u> <u>Capture</u> <u>Ratio</u>	<u>5-Year</u> <u>Sharpe</u> <u>Ratio</u> ³⁶	<u>5-Year</u> <u>Sortino</u> <u>Ratio</u> ³⁶
Total RM ARS Program	6.2	-0.2%	14.0%	12.4%	11.2%	0.3	1.0	-1.9	1.6	2.3
Total Direct Investments	5.2	0.0%	15.1%	13.4%	12.0%					
Total Fund of Funds	0.9	-0.4%	11.3%	-.%	-.%					
Policy Index ³⁴		3.1%	10.7%	8.9%	11.3%					
Value Added		-3.3%	3.3%	3.5%	-0.1%					
ML 1-Year Treasury Note Index + 5% Index		3.1%	10.7%	8.9%	7.9%					
HFRI Fund of Funds Index		0.4%	14.0%	10.4%	9.1%					

RM ARS Program Characteristics Period Ended 9/30/07

<u>Since Inception Rolling Correlations vs. Index</u>					
<u>Percentage</u> <u>of positive</u> <u>Months</u>	<u>Beta vs.</u> <u>S&P 500</u>	<u>DJ</u> <u>W5000</u> ²⁰	<u>PERS</u> <u>2500</u> ²⁰	<u>Lehman Long</u> <u>Liability</u> <u>Index</u>	<u>FTSE AW</u> <u>X US</u> ²⁰
70%	0.2	0.5	0.5	-0.2	0.5

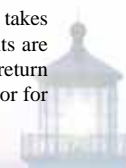
CalPERS- RM ARS (net) Monthly Histogram April 2001 to September 2007



³⁴ The RM ARS Policy consists of the Merrill Lynch 1-Year Treasury Note + 5% and is linked historically to its prior benchmark.

³⁵ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured.

³⁶ The Sortino Ratio is measure of a risk-adjusted return of an investment asset. It is an extension of the Sharpe Ratio. While the Sharpe ratio takes into account any volatility, in return of an asset, Sortino ratio differentiates volatility due to up and down movements. The up movements are considered desirable and not accounted in the volatility. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



RM ARS Program Review for PERF

- ◆ **Beta vs. S&P 500:** This measures the amount of stock market risk in the portfolio. A beta of 1.0 would indicate that the portfolio's performance should closely track the stock market, while a beta higher than 1.0 implies greater-than-market risk and possibly leverage. The portfolio's beta is 0.2 which implies a semi-weak relationship to stock market return, which is appropriate for this program.
- ◆ **Correlation vs. various indices:** We have calculated the historical correlation between the RM ARS and CalPERS' other main asset classes. Over a market cycle, the RM ARS should function independently of the other asset classes and have a low correlation to directional movements in all other asset classes. Since inception, the performance of both the RM ARS and the stock market has been generally positive, resulting in a moderately high correlation.
- ◆ **Histogram:** The RM ARS is designed to generate small amounts of return on a consistent basis. This chart shows the frequency of monthly performance results. A significant number of outlying monthly performance returns would indicate insufficient risk controls. We believe that the distribution of monthly returns is as expected, given the youthfulness of the program, and has significantly more positive months than negative months, which is favorable.

Corporate Governance Review

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Date</u>
Total Corporate Governance	5.6	-4.7%	13.6%	16.6%	20.5%	12/98
<i>Policy Index</i>		-0.7%	14.0%	16.4%	18.8%	
<i>Value Added</i>		-4.0%	-0.4%	0.2%	1.7%	
Total Domestic Corporate Governance	2.9	-5.6%	12.1%	13.9%	17.8%	12/98
Total Int'l Corporate Governance	2.7	-3.8%	15.0%	19.3%	22.7%	12/98

- ◆ The System's total corporate governance program underperformed its objective and the equity policy. The international and the domestic segments underperformed their objective.



Total Fixed Income Review for PERF

Periods Ended 9/30/07

Fixed Income Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
US Fixed Income	23.5%	23.0%	+0.5%
Non US Fixed Income	2.8	3.0	-0.2

Fixed Income Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁴⁰	PAR ⁴¹	5-year Sharpe Ratio ⁴²	5-year Info Ratio ⁴²
Total Fixed Income	67.0	3.8%	6.0%	5.1%	7.0%	6.9%	\$1,338 mil	0.4%	0.8	1.7
Fixed Income Policy Index ³⁷		3.8%	5.2%	4.3%	5.3%	6.5%			0.5	0.0
Value Added		0.0%	0.8%	0.8%	1.7%	0.4%				
U.S. Fixed Income	59.7	3.3%	5.5%	5.1%	6.7%	7.0%	\$1,610mil	0.4%	0.8	1.7
Policy Index ³⁸		3.3%	4.6%	4.2%	4.9%	6.6%			0.4	0.0
Value Added		0.0%	0.9%	0.9%	1.8%	0.4%				
Non-U.S. Fixed Income	7.2	7.6%	9.2%	4.8%	8.2%	5.6%	\$550 mil	0.0%	0.7	0.3
Policy Index ³⁹		7.7%	9.5%	5.0%	8.1%	5.8%			0.7	0.0
Value Added		-0.1%	-0.3%	-0.2%	0.1%	-0.2%				

Comments Regarding Recent Fixed Income Segment Performance

Helped Performance:

- ◆ **Treasury Bonds:** Treasury bonds outperformed versus the fixed income policy index for the quarter, as the Fed decreased the Fed Fund Rate which drove yields down. The portfolio has outperformed the fixed income policy over the three year and ten year periods.
- ◆ **International Fixed Income:** The System's external international bond segment outperformed the total fixed income policy for the quarter as the dollar continued to depreciate. The portfolio has outperformed versus the fixed income policy over the one year, three year and five year periods.

³⁷ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

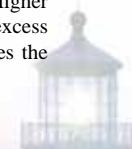
³⁸ The Domestic Fixed Income Policy Index consists of the Lehman Long Liability Index and is linked historically to its prior benchmark.

³⁹ The Non-US Fixed Income Policy Index consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

⁴⁰ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return - (1.65 X SD)) X MV).

⁴¹ PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

⁴² The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



- ◆ **Internal Sovereign Bonds:** The System's Sovereign portfolio, which holds non-US government bonds that are U.S. Dollar denominated, outperformed versus the total fixed income policy over the quarter and over all other listed periods.
- ◆ **Commodities:** The commodities managers outperformed the fixed income policy index but lagged its benchmark for the quarter.

Impeded Performance:

- ◆ **Mortgage Bonds:** CalPERS' mortgage portfolio underperformed the overall fixed income segment. This segment has underperformed the overall fixed income segment for the five year and ten year periods.
- ◆ **Special Investments:** The special investments underperformed versus the fixed income policy index over the quarter but have outperformed the fixed income policy index over the one and three year periods.
- ◆ **External High Yield Bonds:** The external high yield bond managers underperformed the fixed income policy index during the quarter. However, the segment has added value over the long term, led by the bank loan segment.
- ◆ **Internal High Yield Bonds:** CalPERS' internal high yield portfolio underperformed the fixed income policy index over the quarter. However, the portfolio has outperformed over all longer time periods.



Fixed Income Performance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Total Fixed Income	67.0	3.8%	6.0%	5.1%	7.0%	6.9%
Fixed Income Policy Index ⁴³		3.8%	5.2%	4.3%	5.3%	6.5%
Value Added		0.0%	0.8%	0.8%	1.7%	0.4%
Total Internal Bonds	55.1	3.4%	5.0%	4.6%	6.3%	6.9%
Treasury Bonds	9.1	4.8%	4.8%	4.4%	4.3%	7.0%
Mortgage Bonds	15.7	2.6%	5.3%	4.5%	4.5%	6.2%
Long Duration	6.5	2.9%	5.1%	-.%	-.%	-.%
Corporate Bonds	13.0	2.2%	4.7%	5.7%	9.6%	7.4%
U.S. Government	10.0	5.0%	4.8%	3.3%	3.3%	-.%
Sovereign Bonds ⁴⁴	1.0	4.3%	6.0%	5.7%	7.1%	8.7%
Duration/SEC Allocation	0.4	1.9%	3.3%	-.%	-.%	-.%
Custom Benchmark ⁴⁵		3.3%	4.6%	4.2%	4.9%	6.6%
Opportunistic ⁴⁶	1.5	-0.9%	18.9%	20.7%	24.1%	-.%
Internal High Yield Bonds	0.7	1.0%	6.7%	16.2%	21.1%	-.%
External High Yield	0.6	0.5%	14.5%	11.0%	14.0%	-.%
Citigroup High Yield Cash Pay		0.4%	7.4%	7.0%	12.7%	-.%
Commodities	0.6	10.4%	-.%	-.%	-.%	-.%
Custom Benchmark		10.5%	-.%	-.%	-.%	-.%
Special Investments	1.0	2.2%	5.5%	5.1%	5.3%	5.8%
External International Fixed Income	7.2	7.6%	9.2%	4.8%	8.2%	5.6%
Custom Benchmark ⁴⁷		7.7%	9.5%	5.0%	8.1%	5.8%
Value Added		-0.1%	-0.3%	-0.2%	0.1%	-0.2%
Currency Overlay ⁴⁸						
Pareto Partners	4.6	-0.7%	19.5%	21.6%	19.7%	8.0%
Custom Benchmark		-1.2%	18.6%	14.3%	13.0%	5.2%
Value Added		0.5%	0.9%	7.3%	6.7%	2.8%
State Street London	2.6	36.3%	65.9%	36.2%	27.1%	11.7%
Custom Benchmark		-1.2%	18.6%	14.3%	13.0%	5.2%
Value Added		37.5%	47.3%	21.9%	14.1%	6.5%
Internal Currency Overlay	2.9	-1.3%	17.9%	22.1%	18.7%	-.%
Custom Benchmark		-1.2%	18.6%	14.3%	13.0%	-.%
Value Added		-0.1%	-0.7%	7.8%	5.7%	-.%

⁴³ The Fixed Income Policy Index return equals the benchmark returns for domestic and international fixed income components weighted at policy allocation target percentages.

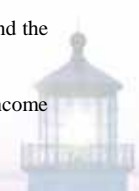
⁴⁴ The Internal Sovereign Bond market value is also included in the Internal Treasury Bond market value.

⁴⁵ The custom benchmark consists of the Lehman Long Liability Index. Prior of 3Q 2004 the benchmark was Citigroup LPF.

⁴⁶ Opportunistic includes internal and external high yield. Internal High Yield's market value is included in both the Total Internal Bonds and the Opportunistic Market Values.

⁴⁷ The custom benchmark consists of the Lehman International Fixed Income and is linked historically to its prior benchmark.

⁴⁸ Currency overlay's performance is rolled into the international equity composite, but is shown here since it is managed by fixed income managers.



Total Real Estate Review for PERF Period Ended 9/30/07

Real Estate Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Real Estate	8.0%	8.0%	+0.0%

Real Estate Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵¹	PAR ⁵²	5-year Sharpe Ratio ⁵³
Total Real Estate ⁴⁹	20.4	4.3%	14.8%	26.8%	20.0%	15.5%	\$507 mil	0.6	2.6
NCREIF Property Index Lagged ⁵⁰		4.6%	17.2%	18.0%	14.4%	13.1%			4.7
TUCS Real Estate Median		3.1%	14.8%	18.8%	16.1%	12.9%			
Total Core Real Estate	10.3	7.2%	16.4%	29.3%	20.5%	16.6%			
Core Real Estate Private	10.3	7.3%	16.2%	29.2%	20.4%	16.8%			
Total Special Real Estate	10.1	0.9%	13.0%	22.9%	20.1%	12.5%			

- ◆ CalPERS' real estate composite produced a return of 4.3% during the quarter, underperforming the lagged NCREIF Property Index return of 4.6%. Over the long term the composite has added value and outperformed both the NCREIF and the TUCS real estate median.

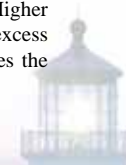
⁴⁹ Real estate total returns are net of investment management fees and all expenses, including property level operations expenses netted from property income. This method differs from GASB 31, which requires all investment expenses be identified for inclusion in the System's general purpose financial statements.

⁵⁰ The performance of CalPERS' real estate segment is lagged one quarter. Therefore, the NCREIF Property Index is lagged one quarter as well to provide a better comparison.

⁵¹ VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

⁵² PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV).

⁵³ The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.



AIM Program Review for PERF Period Ended 9/30/07

AIM Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
AIM	7.5%	6.0%	+1.5%

AIM Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year	VaR ⁵⁶	PAR ⁵⁷	5-year Sharpe Ratio ⁵⁸
AIM Program ⁵⁴	19.2	11.5%	30.0%	24.8%	16.5%	13.6%	\$140.2 mil	0.7%	1.6
Policy Index ⁵⁵		4.7%	16.9%	17.9%	11.3%	5.8%			1.6
Value Added		6.8%	13.1%	6.9%	5.2%	7.8%			
Long-Term Policy						11.6%			
AIM Partnership Investments	19.0	11.6%	30.0%	24.7%	16.5%	12.8%			
AIM Distribution Stock	0.1	1.5%	25.6%	17.1%	19.3%	-.%			

- ◆ The AIM program outperformed its objective over the quarter and has outperformed for all longer periods.

Cash Program Review for PERF

Cash Program Allocation

Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation	Difference
Cash	0.8%	0.0%	+0.8%

Cash Segment Performance

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Equitized Cash Composite ⁵⁹	2.1	-2.0%	3.7%	3.8%	2.8%	4.0%
Policy Index ⁶⁰		1.3%	5.4%	4.2%	3.0%	3.9%
Value Added		-3.3%	-1.7%	-0.4%	-0.2%	0.1%
Total Cash	2.1	1.3%	5.4%	4.4%	3.2%	4.2%
Cash Equitization	0.0	-0.6%	-.%	-.%	-.%	-.%

⁵⁴The performance of CalPERS' AIM segment is lagged one quarter.

⁵⁵The AIM Policy Index consists of the Custom Young Fund and is linked historically to its prior benchmark.

⁵⁶VAR (Value at Risk) measures how much the portfolio might decrease over a 12 month period in extreme cases. The VAR estimate shows how much the portfolio value might fall in the worst 5% of 12 month periods. VAR is calculated using total risk (standard deviation) and market value ((Expected Return – (1.65 X SD)) X MV).

⁵⁷PAR (Performance at Risk) measures how much the portfolio might underperform its benchmark over a 12 month period in extreme cases. This PAR shows how much the portfolio might underperform in the worst 5% of 12 month periods. PAR is calculated using excess risk (tracking error) and market value (1.65 X TE X MV)

⁵⁸The "Information Ratio" calculates the amount of excess performance earned per unit of excess risk, as measured by tracking error. Higher information ratios imply a greater return per risk ventured. The Sharpe ratio or reward-to-variability ratio is a measure of the mean excess return per unit of risk in an investment strategy. The Sharpe ratio is used to characterize how well the return of an asset compensates the investor for the risk taken.

⁵⁹Cash is equitized using equity index futures in proportion to the Total Equity Policy Weights.

⁶⁰The Custom STIF Policy Index is a custom index.

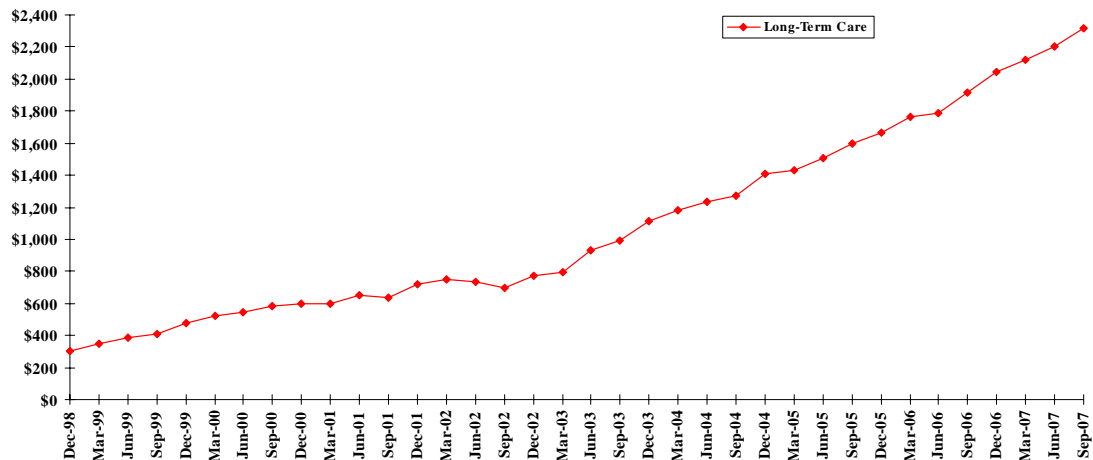
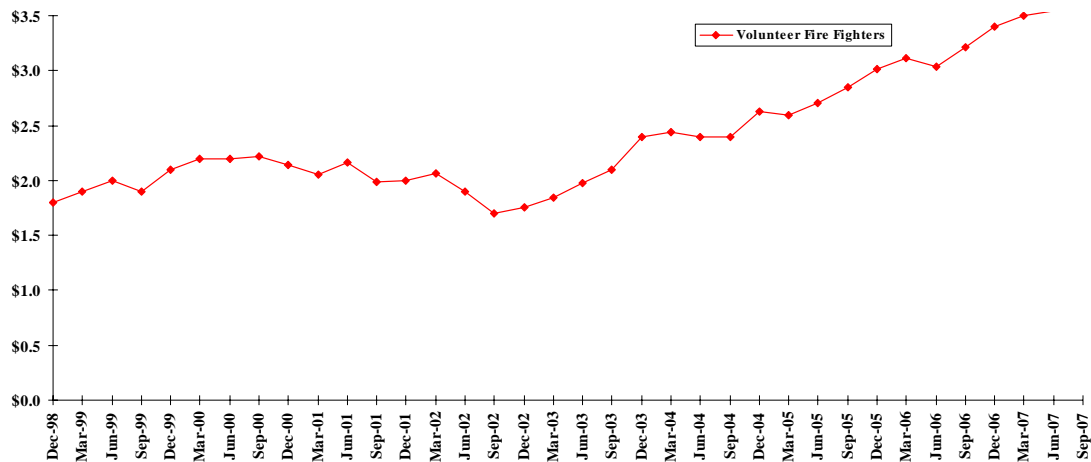
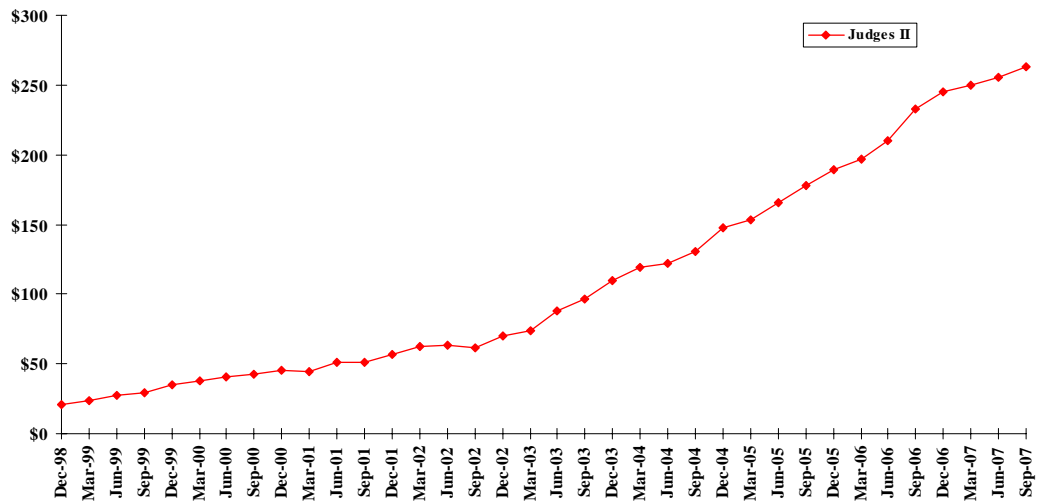


Affiliate Fund Information



Affiliate Fund Performance

Growth in Assets (in Millions)



Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
Judges II	\$263.1 mil	2.8%	13.1%	12.4%	13.3%	7.3%
<i>Weighted Policy Benchmark</i> ⁶¹		2.5	12.5	11.8	12.8	7.2
Long Term Care ("LTC")	\$2,315.2 mil	2.8	12.8	11.6	13.1	7.2
<i>Weighted Policy Benchmark</i>		2.7	12.3	10.9	12.4	7.1
Volunteer Firefighters ("VFF")	\$3.6 mil	2.3	12.8	12.8	13.5	7.6
<i>Weighted Policy Benchmark</i>		2.1	12.8	12.0	12.8	7.5
Annuitants Health Care	\$43.3 mil	2.8	-.	-.	-.	-.
<i>Weighted Policy Benchmark</i>		2.5	-.	-.	-.	-.
<i>TUCS Public Fund Median</i> ⁶²		2.2	14.2	12.4	13.3	7.6

Asset Allocation

Judges II Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation	Target Asset Allocation (%)	Difference
US Equities	34.1	34.0	0.1
Int'l Equity	21.0	20.0	1.0
US Bonds	34.8	36.0	-1.2
Real Estate	10.1	10.0	0.1

LTC Asset Allocation: Actual versus Target Weights

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation	Difference
US Equities	29.6	29.0	0.6
Int'l Equity	19.7	19.0	0.7
US Bonds	32.1	30.0	2.1
High Yield	8.9	7.0	1.9
TIPS	5.0	10.0	-5.0
Real Estate	4.7	5.0	-0.3
Cash	0.0	0.0	0.0

VFF Asset Allocation

Asset Class	Actual Asset Allocation (%)	Target Asset Allocation	Difference
US Equities	34.2	34.0	0.2
Int'l Equity	20.5	20.0	0.5
US Bonds	35.0	36.0	-1.0
Real Estate	10.2	10.0	0.2
Cash	0.2	0.0	0.2

⁶¹ The weighted policy benchmark returns for Judges II, LTC, and VFF are based on asset class index returns weighted by asset class policy targets.

⁶² The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolios returns subdivided by client type and asset class.



Commentary

- ◆ VFF slightly outperformed its weighted policy during the quarter, while Judges II and LTC also outperformed their respective policy benchmarks. Over the long term, all three plans have tracked very closely to their respective policies. All three plans lagged the TUCS Public Fund Median while for the quarter. Among the three plans, VFF had the highest allocation in U.S. equity at 34.2%, Judges had the highest allocation in international equity at 21.0%, and LTC had the highest allocation in fixed income at 46.0%.

U.S. Equity Performance

U.S. Equity Performance Periods Ended September 30, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II U.S. Equity <i>Custom Benchmark</i> ⁶³	\$89.7 mil	2.0% 2.1	16.3% 16.3	12.9% 12.9	15.3% 15.3	6.4% 6.5
LTC U.S. Equity <i>Custom Benchmark</i> ⁶³	\$684.0	2.0 2.1	16.3 16.3	12.9 12.9	15.3 15.3	6.4 6.5
VFF U.S. Equity <i>Custom Benchmark</i> ⁶⁴	\$1.2	1.5 1.6	16.3 16.5	13.2 13.0	15.5 15.4	6.5 6.5
<i>TUCS Equity Median</i>		0.6	16.4	14.3	17.6	7.4

Commentary

The Judges II and LTC equity funds, which are invested in the Custom S&P 500 ex-Tobacco Index fund, returned 2.0% for the quarter slightly underperforming their benchmarks. The VFF equity portfolio, which holds the exchange traded Russell 3000 Index fund, generated a return of 1.5%, slightly lagging its policy benchmark for the same period. Over all longer measured periods, the funds are performing in-line with expectation. The Judges, LTC, and VFF's equity funds outperformed the TUCS Equity Median for the quarter.

⁶³ A tobacco-free S&P 500 is used as the benchmark for the U.S. equity segments of Judges II and LTC starting with February 2001 performance.
⁶⁴ The benchmark is Russell 3000 from July 2005 and on. Prior of that the benchmark was the tobacco-free S&P 500 Index.

International Equity Performance

International Equity Performance Periods Ended September 30, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Int'l Equity	\$55.3 mil	3.0%	26.8%	24.1%	24.1%	8.3%
<i>Custom Benchmark</i> ⁶⁵		2.9	26.5	23.8	23.9	8.1
LTC Int'l Equity	\$457.1	3.0	26.8	23.7	24.0	8.2
<i>Custom Benchmark</i> ⁶⁵		2.9	26.5	23.8	23.9	8.1
VFF Int'l Equity	\$0.7	2.1	24.2	--	--	--
<i>MSCI EAFE</i>		2.2	24.9	--	--	--

Commentary

- ◆ The Judges II and LTC international equity funds are benchmarked against the FTSE Developed World ex-US & Tobacco Index. Both funds slightly outperformed the benchmark performance for the quarter and continued to perform in line with expectation over the long term. VFF's international equity fund, which tracks the MSCI EAFE Index, underperformed for the quarter.

⁶⁵ Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was MSCI EAFE Index (Net).



Total Fixed Income

Fixed Income Performance Periods Ended September 30, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Judges II Fixed Income	\$91.5 mil	3.3%	4.7%	4.2%	5.1%	6.2%
LTC Fixed Income	\$743.7	3.3	4.8	4.6	5.3	6.3
VFF Fixed Income	\$1.3	3.0	4.8	5.3	5.8	6.5
<i>Lehman Long Liability</i>		3.3	4.6	4.2		
LTC High Yield	\$205.9	0.2	8.3	-.	-.	-.
<i>Lehman Long Liability High Yield</i>		0.4	7.4			
LTC TIPS	\$116.0	4.6	4.2	-.	-.	-.
<i>Lehman Long Liability TIPS</i>		4.5	4.2	-.	-.	-.

Commentary

- ◆ The Judges II fixed income portfolio, which includes Affiliate high yield and TIPS issues, equaled the Lehman Long Liability Index over the quarter. The LTC fixed income portfolio, which excludes high yield and TIPS issues, equaled its benchmark, the Lehman Long Liability ex-TIPS ex-High Yield Index for the quarter. VFF's portfolio holds iShares of the Lehman Aggregate ETF and slightly outperformed its benchmark, the Lehman Aggregate Bond Index.
- ◆ The LTC high yield portfolio underperformed its benchmark, the Lehman Long Liability High Yield Index, during the quarter but has outperformed over the one-year period. The LTC TIPS portfolio outperformed versus its benchmark, the Lehman Long Liability TIPS Index, for the quarter and equaled it over the one-year period.



Total Real Estate

Real Estate Performance Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year
Judges II REIT	\$26.6 mil	1.0%	3.6%	17.4%	-.-
LTC REIT	108.4 mil	1.2	3.7	-.-	-.-
VFF REIT	0.4 mil	1.2	3.7	17.5	-.-
<i>DJ Wilshire RESI (Full Cap)</i>		1.4	3.8	19.8	22.5
<i>TUCS Real Estate Median</i>		3.1	14.8	18.8	16.1

Commentary

All three plans' REIT portfolios underperformed the Dow Jones Wilshire RESI Index during the quarter and over the 1-year period. The portfolios have lagged the TUCS Real Estate Median for the quarter and the one-year period.

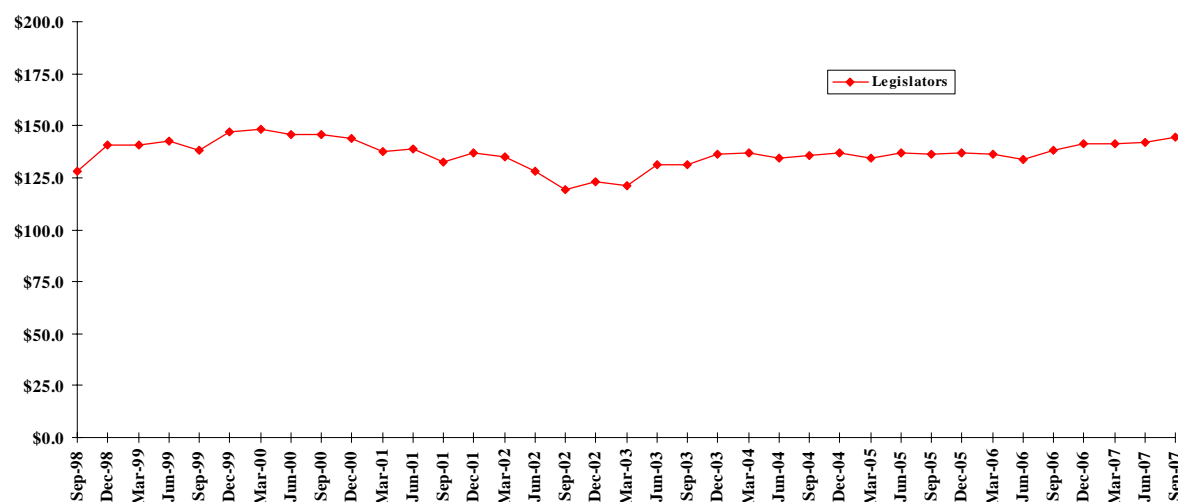


Legislators' Information



California Legislators' Retirement System

Growth in Assets



Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
LRS	\$144.7 mil	3.1%	10.5%	9.1%	10.3%	7.3%
<i>Weighted Policy Benchmark</i> ⁶⁷		3.1	10.3	8.8	9.9	7.6
<i>TUCS Public Fund Median</i> ⁶⁸		2.2	14.2	12.4	13.3	7.6

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	30.7%	30.0%	+0.7%
International Equity	10.3	10.0	+0.3
US Bonds	52.2	50.0	+2.2
TIPS	6.7	10.0	-3.3
Cash Equivalents	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	100.0	100.0	0.0

⁶⁷ The weighted policy benchmark returns are based on asset class index returns weighted by asset class policy targets.

⁶⁸ The Trust Universe Comparison Service (TUCS) is a universe of over 1,000 client portfolio returns subdivided by client type and asset class.



Commentary

- ◆ The California Legislators' Retirement System ('LRS, the System') generated a return of 3.1% for the third quarter of 2007, equaling its weighted policy benchmark. The LRS portfolio has beaten its policy benchmark for all time periods with the exception of the 10-year period. The LRS's portfolio outperformed versus the TUCS Public Fund Median for the quarter but has lagged it for all other measured periods shown.

LRS Internal U.S. Equity Assets

LRS Internal U.S. Equity Performance Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS U.S. Equity	\$44.4 mil	2.0%	16.3%	12.9%	15.3%	6.5%
<i>Custom S&P 500 Index</i> ⁶⁹		2.0	16.2	12.9	15.3	6.5
<i>TUCS Equity Median</i>		0.6	16.4	14.3	17.6	8.4

Commentary

- ◆ The System's U.S. equity composite equaled the Custom S&P 500 ex-Tobacco Index for the quarter, returning 2.0%. The portfolio has continued to track very closely to its benchmark over all measured periods shown above. The composite outperformed against the TUCS Equity Median return for the quarter.

⁶⁹

A custom tobacco-free S&P 500 is used as the benchmark for the U.S. equity segment of LRS starting with the February 2001 performance.



International Equity Performance

Total International Equity Performance Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS International	\$14.9 mil	3.0%	26.5%	24.0%	24.2%	8.4%
<i>Custom Benchmark</i> ⁷⁰		2.9	26.5	23.8	23.9	8.1

Commentary

- ♦ The System's international equity portfolio was up during the second quarter, returning 3.0% and slightly outperformed its custom benchmark, the FTSE Developed World ex-U.S. & Tobacco Index. The portfolio also outperformed or equaled the benchmark for all listed periods.

⁷⁰ Effective October 1, 2006, the benchmark is FTSE Developed World ex-U.S. & Tobacco Index. Prior of that the benchmark was MSCI EAFE Index (Net).



Total Fixed Income

Total Fixed Income Performance Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
LRS Fixed Income	\$75.6 mil	3.2%	4.9%	4.4%	5.1%	6.2%
<i>Custom Benchmark</i> ⁷¹		3.3	4.7	4.3	4.9	6.6
LRS TIPS	\$9.8 mil	4.6	4.2	3.2	-.-	-.-
<i>Lehman Long Liability TIPS</i>		4.5	4.2	4.2	-.-	-.-

Commentary

- ◆ The LRS fixed income portfolio generated a return of 3.8% for the quarter, outperforming its custom benchmark, the Lehman Long Liability ex-TIPS Index. The portfolio has outperformed versus its benchmark for all periods greater than one year.
- ◆ The System's TIPS portfolio returned 4.6%, outperforming versus its benchmark the Lehman Long Liability TIPS Index for the quarter. The portfolio has outperformed its benchmark or equaled its benchmark for all time periods.

⁷¹ The current benchmark is the Lehman Long Liability. Lehman Long Liability ex TIPS was used as the benchmark starting July 2005 until May 2007. Prior of that the benchmark was Citigroup LPF.



Annuitants Healthcare Plan



Annuitants HealthCare

Asset Allocation

Asset Class	Actual	Policy	Difference
US Equity	33.7%	35.0%	-1.3%
International Equity	28.7	29.0	-0.3
US Bonds	19.3	20.0	-0.7
High Yield	5.3	6.0	-0.7
REITS	9.9	10.0	-0.1
Cash Equivalents	<u>3.1</u>	<u>0.0</u>	<u>+3.1</u>
	100.0	100.0	0.0

Total Fund Performance Results

Total Fund Performance Periods Ended September 30, 2007

	Market <u>Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
Total Fund	\$43.3 mil	2.8%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		2.5%	-.-%	-.-%	-.-%	-.-%
Domestic Equity	14.6 mil	1.2%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		2.1%	-.-%	-.-%	-.-%	-.-%
International Equity	12.4 mil	3.8%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		2.9%	-.-%	-.-%	-.-%	-.-%
REITS	4.3 mil	3.0%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		1.4%	-.-%	-.-%	-.-%	-.-%
Fixed Income	8.4 mil	3.2%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		3.3%	-.-%	-.-%	-.-%	-.-%
Health care Bond Fund	0.4 mil	2.9%	-.-%	-.-%	-.-%	-.-%
<i>Lehman Brothers Aggregate</i>		2.9%	-.-%	-.-%	-.-%	-.-%
High Yield	2.3 mil	-.-%	-.-%	-.-%	-.-%	-.-%
Cash	1.3 mil	1.3%	-.-%	-.-%	-.-%	-.-%
<i>Benchmark</i>		1.3%	-.-%	-.-%	-.-%	-.-%



Supplemental Income Plans



Supplemental Income Plan Performance

Asset Allocation-Supplemental Contribution Plan

Asset Class	Actual	Policy	Difference
US Equity	52.1%	52.0%	+0.1%
International Equity	20.7	20.0	+0.7
US Bonds	27.1	28.0	-0.9
Cash Equivalents	<u>0.1</u>	<u>0.0</u>	<u>+0.1</u>
	100.0	100.0	0.0

Total Fund Performance Results- Supplemental Contribution Plan

Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year
Total Fund	\$23.3 mil	2.6%	14.8%	12.7%	13.9%
<i>Weighted Policy</i>		2.6	15.0	12.3	13.8
SCP Equity Fund	\$12.2 mil	2.0	16.3	13.0	15.4
<i>PERS S&P 500</i>		2.0	16.2	12.9	15.3
SCP International Fund	\$4.8 mil	3.0	26.8	23.9	24.0
<i>Custom Benchmark</i>		2.9	26.5	23.8	23.9
SCP Fixed Fund	\$6.3 mil	3.2	9.4	7.8	7.3
<i>Custom Benchmark</i>		3.3	4.6	3.3	3.8
SCP Short Term Fund	\$0.0 mil	1.4	4.6	3.4	2.4

Deferred Compensation Plan

Historical Performance

Periods Ended September 30, 2007

	Market Value	Qtr	One Year	Three Year	Five Year	Ten Year
U.S. Equity Option	\$143.7 mil	2.0%	16.8%	13.2%	15.5%	6.5%
<i>Custom S&P 500 Index</i>		2.0	16.4	13.1	15.5	6.6



CalPERS 457 Program Net Funds Periods Ended September 30, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
SSgA Stable Fixed Income	\$124.8 mil	1.1	4.4	4.1	4.0	4.6
<i>Lehman Bros Government 1-3</i>		2.5	5.7	3.5	2.9	4.8
S&P 500 Equity Fund	135.7 mil	1.9	16.3	12.9	15.1	6.1
<i>S&P 500 Index</i>		2.0	16.4	13.1	15.5	6.6
Conservative Asset Allocation	22.5 mil	2.0	9.1	7.6	8.7	5.4
<i>Benchmark</i>		2.4	10.1	8.3	9.3	6.7
Moderate Asset Allocation	96.5 mil	1.8	12.0	10.4	11.8	5.9
<i>Benchmark</i>		2.2	12.7	10.7	12.1	7.0
Aggressive Asset Allocation	38.2 mil	1.6	14.6	12.6	14.3	5.4
<i>Benchmark</i>		1.9	15.4	13.2	14.9	7.1
Alliance Bernstein Large Cap	1.0 mil	1.3	--	--	--	--
<i>Russell 1000 Value</i>		-0.2				
Turner Large Cap Growth	43.2 mil	7.0	--	--	--	--
<i>Russell 1000 Growth</i>		4.2				
Small/Mid Equity Index	101.7 mil	-2.6	--	--	--	--
<i>Russell 2500 Index</i>		-2.5				
Total Return Bond Fund	27.7 mil	2.8	--	--	--	--
<i>Lehman Brothers Aggregate</i>		2.8				
TIPs Securities	1.0 mil	4.4	--	--	--	--
<i>Lehman Brothers US Tips</i>		4.5				
SSgA Age-Based Income	2.1 mil	2.3	--	--	--	--
<i>Custom Index</i>		2.5				
SSgA Age Based 2010	2.3 mil	2.7	--	--	--	--
<i>Custom Index</i>		3.0				
SSgA Age Based 2020	2.2 mil	2.5	--	--	--	--
<i>Custom Index</i>		2.7				
SSgA Age Based 2030	1.0 mil	2.1	--	--	--	--
<i>Custom Index</i>		2.3				
SSgA Age Based 2040	0.4 mil	2.0	--	--	--	--
<i>Custom Index</i>		2.2				
International Index	3.9 mil	2.9				
<i>Custom Index</i>		3.0				
SSga Interational Alpha Select	44.0 mil	1.3				
<i>Custom Index</i>		2.2				



CalPERS Peace Officers & Fire Fighters Defined Contribution Plan Account
Periods Ended September 30, 2007

	<u>Market</u> <u>Value</u>	<u>Qtr</u>	<u>One</u> <u>Year</u>	<u>Three</u> <u>Year</u>	<u>Five</u> <u>Year</u>	<u>Ten</u> <u>Year</u>
SSgA Balanced Growth Fund	\$345.9 mil	1.7%	11.6%	10.0%	11.4%	-.-
<i>Index</i>		2.2	12.7	10.7	12.1	



APPENDIX for Supplemental



CalPERS 457 Program Custom Funds for the City of Anaheim
Periods Ended September 30, 2007

	<u>Market Value</u>	<u>Qtr</u>	<u>One Year</u>	<u>Three Year</u>	<u>Five Year</u>	<u>Ten Year</u>
SSgA PAR	9.1 mil	1.1%	4.7%	4.4%	4.3%	4.9%
<i>Lehman Bros Government 1-3</i>		2.5	5.7	3.5	2.9	4.8
Core Plus Fund	1.3 mil	1.8	3.0	--	--	--
<i>Lehman Aggregate</i>		2.8	5.1	--	--	--
Bond Market Fund	0.3 mil	2.8	5.0	--	--	--
<i>Lehman Aggregate</i>		2.8	5.1	--	--	--
CalPERS S&P 500 Index Fund	8.0 mil	2.0	16.6	13.1	15.4	6.5
<i>S&P 500</i>		2.0	16.4	13.1	15.5	6.6
Large Cap Blend	0.1 mil	3.1	16.2	--	--	--
<i>Russell 1000</i>		2.0	16.9	--	--	--
Large Cap Value	0.6 mil	0.6	15.9	--	--	--
<i>Russell 1000 Value</i>		-0.2	14.5	--	--	--
Growth Stock Fund	3.6 mil	3.3	19.7	--	--	--
<i>Russell 1000 Growth</i>		4.2	19.4	--	--	--
Mid Cap Fund	0.5 mil	-0.8	18.7	--	--	--
<i>Russell Mid Cap</i>		-0.4	17.9	--	--	--
Mid Cap Equity Fund	0.4 mil	-3.0	15.7	--	--	--
<i>Russell Mid Cap</i>		-0.4	17.9	--	--	--
Mid Cap Select Fund	0.4 mil	3.3	28.7	--	--	--
<i>Russell Mid Cap</i>		-0.4	17.9	--	--	--
Russell 2000 Fund	2.3 mil	-3.2	12.0	--	--	--
<i>Russell 2000 Index</i>		-3.1	12.4	--	--	--
Small Cap Value	0.2 mil	-4.6	12.4	--	--	--
<i>Russell 2000 Value</i>		-6.3	6.1	--	--	--
Small Cap Growth Fund	4.2 mil	1.6	21.3	--	--	--
<i>Russell 2000 Growth</i>		0.0	19.0	--	--	--
	Market		One	Three	Five	Ten



	<u>Value</u>	<u>Qtr</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>	<u>Year</u>
MSCI EAFE Fund	0.9 mil	2.1	24.6	-.-	-.-	-.-
<i>MSCI EAFE</i>		2.2	24.9	-.-	-.-	-.-
International Stock Selection	2.1 mil	1.5	24.3	-.-	-.-	-.-
<i>MSCI EAFE</i>		2.2	24.9	-.-	-.-	-.-
SSgA Age Based Income Fund	2.2 mil	2.4	7.8			
<i>Benchmark</i>		2.5	8.2			
SSgA Age Based 2010	2.7 mil	2.8	9.5	-.-	-.-	-.-
<i>Benchmark</i>		3.0	10.3	-.-	-.-	-.-
SSgA Age Based 2020	1.8 mil	2.5	13.4	-.-	-.-	-.-
<i>Benchmark</i>		2.7	14.4	-.-	-.-	-.-
SSgA Age Based 2030	0.7 mil	2.2	15.8	-.-	-.-	-.-
<i>Benchmark</i>		2.3	16.4	-.-	-.-	-.-
SSgA Age Based 2040	0.2 mil	2.1	17.6	-.-	-.-	-.-
<i>Benchmark</i>		2.2	18.2	-.-	-.-	-.-



APPENDIX for PERF



External Manager Performance Review Domestic Equity - Core

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Active External Mainstream Mgrs	4.8	2.0%	17.1%	14.1%	17.2%	6.2%	6/98
Domestic External Core							
Smith Asset Large Cap (MDP)	0.2	4.4%	22.1%	16.7%	-.-%	14.6%	12/03
Custom Benchmark		2.0%	16.7%	13.2%	-.-%	10.9%	
Value Added		2.4%	5.4%	3.5%	-.-%	3.7%	
Performance Objective		2.5%	18.7%	15.2%	-.-%	12.9%	
Value Added		1.9%	3.4%	1.5%	-.-%	1.7%	

Domestic Equity – Long/Short

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Long/Short	3.2	-0.6%	-.-%	-.-%	-.-%	-0.6%	6/07
Long/Short Funds							
Analytic Investors	1.0	-1.9%	-.-%	-.-%	-.-%	-1.9%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		2.0%	-.-%	-.-%	-.-%	2.0%	
Value Added		-3.9%	-.-%	-.-%	-.-%	-3.9%	
SSGA Long/Short	1.0	-1.6%	-.-%	-.-%	-.-%	-1.6%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		2.0%	-.-%	-.-%	-.-%	2.0%	
Value Added		-3.6%	-.-%	-.-%	-.-%	-3.6%	
Quantitative Long/Short	1.1	1.4%	-.-%	-.-%	-.-%	1.4%	6/07
Russell 1000 Ex-Tobacco, Ex-REIT		2.0%	-.-%	-.-%	-.-%	2.0%	
Value Added		-0.6%	-.-%	-.-%	-.-%	-0.6%	



External Manager Performance Review (continued)

Domestic Equity – Growth

Active External Mgrs	Market Value 4.8	Qtr 2.0%	1 Year 17.1%	3 Year 14.1%	5 Year 17.2%	Incept. 6.2%	Date 6/98
Domestic External Growth							
Geewax Terker	0.6	4.1%	20.0%	11.9%	12.6%	1.5%	6/98
<i>Custom Benchmark</i>		3.2%	17.4%	11.2%	13.0%	1.6%	
<i>Value Added</i>		0.9%	2.6%	0.7%	-0.4%	-0.1%	
<i>Performance Objective</i>		3.5%	18.7%	12.5%	14.3%	2.9%	
<i>Value Added</i>		0.6%	1.3%	-0.6%	-1.7%	-1.4%	
Jacobs Levy Large Cap Growth	0.5	2.8%	-.%	-.%	-.%	10.0%	12/06
<i>Custom Benchmark</i>		4.2%	-.%	-.%	-.%	12.8%	
<i>Value Added</i>		-1.4%	-.%	-.%	-.%	-2.8%	
<i>Performance Objective</i>		4.7%	-.%	-.%	-.%	14.2%	
<i>Value Added</i>		-1.9%	-.%	-.%	-.%	-4.2%	
Marvin & Palmer Large Cap Growth	0.6	13.7%	-.%	-.%	-.%	19.5%	12/06
<i>Custom Benchmark</i>		4.2%	-.%	-.%	-.%	12.8%	
<i>Value Added</i>		9.5%	-.%	-.%	-.%	6.7%	
<i>Performance Objective</i>		4.6%	-.%	-.%	-.%	13.9%	
<i>Value Added</i>		9.1%	-.%	-.%	-.%	5.6%	
Rigel - Large Growth (MDP)	0.2	6.9%	20.7%	13.2%	-.%	11.4%	12/03
<i>Custom Benchmark</i>		4.2%	19.6%	12.3%	-.%	8.9%	
<i>Value Added</i>		2.7%	1.1%	0.9%	-.%	2.5%	
<i>Performance Objective</i>		4.7%	21.6%	14.3%	-.%	10.9%	
<i>Value Added</i>		2.2%	-0.9%	-1.1%	-.%	0.5%	
Stux (MDP)	0.3	2.0%	17.4%	14.3%	-.%	11.4%	3/04
<i>Custom Benchmark</i>		2.0%	17.3%	13.9%	-.%	11.7%	
<i>Value Added</i>		0.0%	0.1%	0.4%	-.%	-0.3%	
<i>Performance Objective</i>		2.4%	18.8%	15.4%	-.%	13.2%	
<i>Value Added</i>		-0.4%	-1.4%	-1.1%	-.%	-1.8%	
Turner Large Cap Growth	0.6	7.3%	-.%	-.%	-.%	18.7%	12/06
<i>Custom Benchmark</i>		4.2%	-.%	-.%	-.%	12.8%	
<i>Value Added</i>		3.1%	-.%	-.%	-.%	5.9%	
<i>Performance Objective</i>		4.6%	-.%	-.%	-.%	13.9%	
<i>Value Added</i>		2.7%	-.%	-.%	-.%	4.8%	



External Manager Performance Review (continued)

Domestic Equity – Value

Active External Mainstream Mgrs	Market Value 4.8	Qtr 2.0%	1 Year 17.1%	3 Year 14.1%	5 Year 17.2%	Incept. 6.2%	Date 6/98
Domestic External Value							
Alliance Bernstein	0.8	-0.7%	13.2%	15.3%	18.8%	12.6%	9/04
<i>Custom Benchmark</i>		-0.3%	14.6%	15.0%	18.7%	9.1%	
<i>Value Added</i>		-0.4%	-1.4%	0.3%	0.1%	3.5%	
<i>Performance Objective</i>		0.0%	15.9%	16.3%	19.9%	10.4%	
<i>Value Added</i>		-0.7%	-2.7%	-1.0%	-1.1%	2.2%	
The Boston Company	0.8	0.3%	19.9%	18.2%	23.2%	9.7%	6/98
<i>Custom Benchmark</i>		-0.3%	14.6%	14.3%	18.0%	8.2%	
<i>Value Added</i>		0.6%	5.3%	3.9%	5.2%	1.5%	
<i>Performance Objective</i>		0.0%	15.9%	15.6%	19.3%	9.4%	
<i>Value Added</i>		0.3%	4.0%	2.6%	3.9%	0.3%	
Denali Advisors (MDP)	0.1	0.2%	18.0%	16.8%	18.0%	8.5%	6/01
<i>Custom Benchmark</i>		1.0%	17.9%	16.2%	18.7%	9.2%	
<i>Value Added</i>		-0.8%	0.1%	0.6%	-0.7%	-0.7%	
<i>Performance Objective</i>		1.5%	19.9%	18.2%	20.7%	11.2%	
<i>Value Added</i>		-1.3%	-1.9%	-1.4%	-2.7%	-2.7%	
Denali Mid Value	0.1	-.%	-.%	-.%	-.%	-.%	9/07
<i>Custom Benchmark</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
<i>Performance Objective</i>		-.%	-.%	-.%	-.%	-.%	
<i>Value Added</i>		-.%	-.%	-.%	-.%	-.%	
Pzena	0.8	-6.3%	6.9%	12.5%	20.5%	16.1%	9/00
<i>Custom Benchmark</i>		-0.3%	14.6%	15.3%	20.1%	12.1%	
<i>Value Added</i>		-6.0%	-7.7%	-2.8%	0.4%	4.0%	
<i>Performance Objective</i>		0.0%	15.9%	16.5%	21.4%	13.3%	
<i>Value Added</i>		-6.3%	-9.0%	-4.0%	-0.9%	2.8%	
Shenandoah (MDP)	0.2	-1.6%	19.6%	15.8%	18.4%	11.1%	3/01
<i>Custom Benchmark</i>		-0.5%	19.7%	15.9%	18.4%	12.0%	
<i>Value Added</i>		-1.1%	-0.1%	-0.1%	0.0%	-0.9%	
<i>Performance Objective</i>		0.0%	21.7%	17.9%	20.4%	14.0%	
<i>Value Added</i>		-1.6%	-2.1%	-2.1%	-2.0%	-2.9%	
Smith Asset Small Cap (MDP)	0.1	0.2%	20.7%	15.2%	-.%	14.2%	12/03
<i>Custom Benchmark</i>		-2.4%	16.3%	14.0%	-.%	12.1%	
<i>Value Added</i>		2.6%	4.4%	1.2%	-.%	2.1%	
<i>Performance Objective</i>		-1.8%	18.8%	16.5%	-.%	14.6%	
<i>Value Added</i>		2.0%	1.9%	-1.3%	-.%	-0.4%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced

Total Domestic Ext. Enhanced	Market Value 7.5	Qtr 0.2%	1 Year 14.0%	3 Year 12.6%	5 Year -.-%	Incept. 12.6%	Date 9/04
Atlantic Asset Management	0.4	2.5%	15.7%	-.%	-.%	10.2%	12/04
<i>Custom Benchmark</i>		2.0%	16.4%	-.%	-.%	10.8%	
<i>Value Added</i>		0.5%	-0.7%	-.%	-.%	-0.6%	
<i>Performance Objective</i>		2.3%	17.5%	-.%	-.%	11.8%	
<i>Value Added</i>		0.2%	-1.8%	-.%	-.%	-1.6%	
Barclays Global Investors	1.3	-0.6%	10.9%	-.%	-.%	11.8%	9/05
<i>Custom Benchmark</i>		2.0%	17.0%	-.%	-.%	13.4%	
<i>Value Added</i>		-2.6%	-6.1%	-.%	-.%	-1.6%	
<i>Performance Objective</i>		2.3%	18.0%	-.%	-.%	14.4%	
<i>Value Added</i>		-2.9%	-7.1%	-.%	-.%	-2.6%	
Franklin Portfolio Associates	1.1	1.4%	15.4%	13.3%	-.%	13.3%	9/04
<i>Custom Benchmark</i>		2.0%	17.0%	13.5%	-.%	13.5%	
<i>Value Added</i>		-0.6%	-1.6%	-0.2%	-.%	-0.2%	
<i>Performance Objective</i>		2.3%	18.0%	14.5%	-.%	14.5%	
<i>Value Added</i>		-0.9%	-2.6%	-1.2%	-.%	-1.2%	
Golden Capital	0.8	1.8%	-.%	-.%	-.%	8.6%	3/07
<i>Custom Benchmark</i>		2.0%	-.%	-.%	-.%	8.7%	
<i>Value Added</i>		-0.2%	-.%	-.%	-.%	-0.1%	
<i>Performance Objective</i>		2.3%	-.%	-.%	-.%	9.2%	
<i>Value Added</i>		-0.5%	-.%	-.%	-.%	-0.6%	
Goldman Sachs Enhanced	0.5	-8.8%	2.7%	-.%	-.%	6.5%	3/05
<i>Custom Benchmark</i>		-2.8%	13.7%	-.%	-.%	12.9%	
<i>Value Added</i>		-6.0%	-11.0%	-.%	-.%	-6.4%	
<i>Performance Objective</i>		-2.4%	15.5%	-.%	-.%	14.6%	
<i>Value Added</i>		-6.4%	-12.8%	-.%	-.%	-8.1%	
INTECH	1.3	1.6%	16.0%	13.5%	-.%	13.5%	9/04
<i>Custom Benchmark</i>		2.0%	17.0%	13.5%	-.%	13.5%	
<i>Value Added</i>		-0.4%	-1.0%	0.0%	-.%	0.0%	
<i>Performance Objective</i>		2.3%	18.0%	14.5%	-.%	14.5%	
<i>Value Added</i>		-0.7%	-2.0%	-1.0%	-.%	-1.0%	
Smith Breeden	0.7	-0.8%	12.5%	-.%	-.%	9.5%	12/04
<i>Custom Benchmark</i>		2.0%	16.4%	-.%	-.%	10.8%	
<i>Value Added</i>		-2.8%	-3.9%	-.%	-.%	-1.3%	
<i>Performance Objective</i>		2.3%	17.5%	-.%	-.%	11.8%	
<i>Value Added</i>		-3.1%	-5.0%	-.%	-.%	-2.3%	



External Manager Performance Review (continued)

Domestic Equity – Enhanced cont'd

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Domestic Ext. Enhanced	7.5	0.2%	14.0%	12.6%	-.-%	12.6%	9/04
T. Rowe Price	0.7	2.2%	17.6%	-.-%	-.-%	14.3%	3/06
<i>Custom Benchmark</i>		2.0%	16.3%	-.-%	-.-%	13.6%	
<i>Value Added</i>		0.2%	1.3%	-.-%	-.-%	0.7%	
<i>Performance Objective</i>		2.4%	17.5%	-.-%	-.-%	14.8%	
<i>Value Added</i>		-0.2%	0.1%	-.-%	-.-%	-0.5%	
WAMCO	0.7	-0.6%	14.0%	12.4%	-.-%	12.4%	9/04
<i>Custom Benchmark</i>		2.0%	16.4%	13.1%	-.-%	13.1%	
<i>Value Added</i>		-2.6%	-2.4%	-0.7%	-.-%	-0.7%	
<i>Performance Objective</i>		2.3%	17.5%	14.2%	-.-%	14.2%	
<i>Value Added</i>		-2.9%	-3.5%	-1.8%	-.-%	-1.8%	



External Manager Performance Review (continued)

Domestic Equity – MDP ⁷²

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Domestic MDP	1.1	2.4%	19.2%	14.0%	16.2%	5.7%	12/00
Total Domestic MDP Ventures	0.0	0.0%	235.2%	160.9%	89.9%	64.3%	3/01
Denali Advisors (MDP)	0.1	0.2%	18.0%	16.8%	18.0%	8.5%	6/01
<i>Custom Benchmark</i>		1.0%	17.9%	16.2%	18.7%	9.2%	
<i>Value Added</i>		-0.8%	0.1%	0.6%	-0.7%	-0.7%	
<i>Performance Objective</i>		1.5%	19.9%	18.2%	20.7%	11.2%	
<i>Value Added</i>		-1.3%	-1.9%	-1.4%	-2.7%	-2.7%	
Piedmont (MDP II)	0.1	1.8%	-.%	-.%	-.%	8.2%	3/07
<i>Custom Benchmark</i>		2.0%	-.%	-.%	-.%	8.7%	
<i>Value Added</i>		-0.2%	-.%	-.%	-.%	-0.5%	
<i>Performance Objective</i>		2.3%	-.%	-.%	-.%	9.2%	
<i>Value Added</i>		-0.5%	-.%	-.%	-.%	-1.0%	
Rigel - Large Growth (MDP)	0.2	6.9%	20.7%	13.2%	-.%	11.4%	12/03
<i>Custom Benchmark</i>		4.2%	19.6%	12.3%	-.%	8.9%	
<i>Value Added</i>		2.7%	1.1%	0.9%	-.%	2.5%	
<i>Performance Objective</i>		4.7%	21.6%	14.3%	-.%	10.9%	
<i>Value Added</i>		2.2%	-0.9%	-1.1%	-.%	0.5%	
Shenandoah (MDP)	0.2	-1.6%	19.6%	15.8%	18.4%	11.1%	3/01
<i>Custom Benchmark</i>		-0.5%	19.7%	15.9%	18.4%	12.0%	
<i>Value Added</i>		-1.1%	-0.1%	-0.1%	0.0%	-0.9%	
<i>Performance Objective</i>		0.0%	21.7%	17.9%	20.4%	14.0%	
<i>Value Added</i>		-1.6%	-2.1%	-2.1%	-2.0%	-2.9%	
Smith Asset Small Cap (MDP)	0.1	0.2%	20.7%	15.2%	-.%	14.2%	12/03
<i>Custom Benchmark</i>		-2.4%	16.3%	14.0%	-.%	12.1%	
<i>Value Added</i>		2.6%	4.4%	1.2%	-.%	2.1%	
<i>Performance Objective</i>		-1.8%	18.8%	16.5%	-.%	14.6%	
<i>Value Added</i>		2.0%	1.9%	0.0%	-.%	-0.4%	
Stux (MDP)	0.3	2.0%	17.4%	14.3%	-.%	11.4%	3/04
<i>Custom Benchmark</i>		2.0%	17.3%	13.9%	-.%	11.7%	
<i>Value Added</i>		0.0%	0.1%	0.4%	-.%	-0.3%	
<i>Performance Objective</i>		2.4%	18.8%	15.4%	-.%	13.2%	
<i>Value Added</i>		-0.4%	-1.4%	-1.1%	-.%	-1.8%	

⁷² The MDP managers are listed by style elsewhere in this appendix.



External Manager Performance Review (continued)

Domestic Equity – Corporate Governance

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept</u>	<u>Date</u>
Total Domestic Corporate Governance	2.9	-5.6%	12.1%	13.9%	17.8%	19.4%	12/98
Blum Strategic Partners III	0.2	-9.6%	11.1%	-.%	-.%	9.6%	9/05
<i>Custom Benchmark</i>		1.9%	8.0%	-.%	-.%	8.0%	
<i>Value Added</i>		-11.5%	3.1%	-.%	-.%	1.6%	
Blum Strategic Partners II	0.0	-2.7%	-.%	-.%	-.%	-2.7%	6/2007
<i>Custom Benchmark</i>		1.9%	-.%	-.%	-.%	1.9%	
<i>Value Added</i>		-4.6%	-.%	-.%	-.%	-4.6%	
Breeden Partners	0.5	-5.8%	10.8%	-.%	-.%	10.3%	6/06
<i>Custom Benchmark</i>		2.0%	16.4%	-.%	-.%	18.0%	
<i>Value Added</i>		-7.8%	-5.6%	-.%	-.%	-7.7%	
New Mountain Capital	0.2	-4.2%	6.6%	-.%	-.%	5.3%	12/05
<i>Custom Benchmark</i>		2.0%	16.4%	-.%	-.%	14.3%	
<i>Value Added</i>		-6.2%	-9.8%	-.%	-.%	-9.0%	
Internal New Mountain Capital	0.1	7.5%	-.%	-.%	-.%	21.2%	12/2006
<i>Custom Benchmark</i>		2.0%	-.%	-.%	-.%	9.1%	
<i>Value Added</i>		5.5%	-.%	-.%	-.%	12.1%	
Relational Investors	1.3	-6.5%	11.9%	12.8%	17.0%	18.9%	12/98
<i>Custom Benchmark</i>		2.1%	16.8%	13.2%	15.5%	4.2%	
<i>Value Added</i>		-8.6%	-4.9%	-0.4%	1.5%	14.7%	
Internal Relational	0.4	-5.0%	18.1%	22.7%	-.%	24.1%	12/02
<i>Custom Benchmark</i>		2.1%	16.8%	13.5%	-.%	15.1%	
<i>Value Added</i>		-7.1%	1.3%	9.2%	-.%	9.0%	
Shamrock Partners	0.1	-5.0%	4.7%	-.%	-.%	9.5%	3/05
<i>Custom Benchmark</i>		-3.1%	12.4%	-.%	-.%	12.7%	
<i>Value Added</i>		-1.9%	-7.7%	-.%	-.%	-3.2%	

RM ARS–Fund of Funds

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Total RM ARS Program	6.2	-0.2%	14.0%	12.4%	11.2%
47 Degrees North Capital Fund of Emerging Funds	0.1	-3.1%	-.%	-.%	-.%
Ermitage European Fund of Funds	0.1	-3.9%	6.9%	-.%	-.%
Europanel European Fund of Funds	0.1	-0.9%	8.5%	-.%	-.%
KBC Asian Fund of Funds	0.2	0.2%	12.5%	-.%	-.%
SPARX Asian Fund of Funds	0.1	4.8%	22.4%	-.%	-.%
UBS European Fund of Funds	0.2	-3.2%	9.4%	-.%	-.%
Vision Asian Fund of Funds	0.2	3.9%	14.5%	-.%	-.%

External Manager Performance Review (continued)

Domestic Equity – Environmental

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Total Environmental	0.3	2.0%	16.9%	-.-%	-.-%	11.2%	3/05
AXARosenberg	0.2	3.1%	20.2%	-.-%	-.-%	12.9%	3/06
<i>Custom Benchmark</i>		2.0%	17.0%	-.-%	-.-%	13.3%	
<i>Value Added</i>		1.1%	3.2%	-.-%	-.-%	-0.4%	
<i>Performance Objective</i>		2.5%	19.0%	-.-%	-.-%	15.3%	
<i>Value Added</i>		0.6%	1.2%	-.-%	-.-%	-2.4%	
New Amsterdam Partners	0.1	1.7%	14.5%	-.-%	-.-%	9.0%	3/06
<i>Custom Benchmark</i>		2.0%	17.0%	-.-%	-.-%	13.3%	
<i>Value Added</i>		-0.3%	-2.5%	-.-%	-.-%	-4.3%	
<i>Performance Objective</i>		2.4%	18.5%	-.-%	-.-%	14.8%	
<i>Value Added</i>		-0.7%	-4.0%	-.-%	-.-%	-5.8%	
SSgA Environmental	0.1	0.5%	14.2%	-.-%	-.-%	16.0%	6/06
<i>Custom Benchmark</i>		2.0%	16.3%	-.-%	-.-%	17.9%	
<i>Value Added</i>		-1.5%	-2.1%	-.-%	-.-%	-1.9%	



External Manager Performance Review (continued)

International Equity – Core ACWI

Int'l Active Mainstream	Market Value 11.7	Qtr 3.9%	1 Year 30.5%	3 Year 26.5%	5 Year 24.7%	Incept. 8.8%	Date 6/89
Int'l External Core							
Acadian Asset Management	1.5	4.6%	34.6%	-.%	-.%	27.9%	12/05
<i>Custom Benchmark</i>		4.1%	30.3%	-.%	-.%	25.6%	
<i>Value Added</i>		0.5%	4.3%	-.%	-.%	2.3%	
<i>Performance Objective</i>		4.6%	32.3%	-.%	-.%	27.6%	
<i>Value Added</i>		0.0%	2.3%	-.%	-.%	0.3%	
Arrowstreet (Mainstream)	1.3	2.9%	34.9%	28.5%	-.%	30.0%	3/03
<i>Custom Benchmark</i>		4.1%	30.3%	26.1%	-.%	29.5%	
<i>Value Added</i>		-1.2%	4.6%	2.4%	-.%	0.5%	
<i>Performance Objective</i>		4.6%	32.3%	28.1%	-.%	31.5%	
<i>Value Added</i>		-1.7%	2.6%	0.4%	-.%	-1.5%	
Arrowstreet (MDP)	0.2	2.5%	34.8%	28.4%	26.8%	10.8%	6/00
<i>Custom Benchmark</i>		4.1%	30.3%	26.1%	26.0%	8.2%	
<i>Value Added</i>		-1.6%	4.5%	2.3%	0.8%	2.6%	
<i>Performance Objective</i>		4.6%	32.3%	28.1%	28.0%	10.2%	
<i>Value Added</i>		-2.1%	2.5%	0.3%	-1.2%	0.6%	
AQR Capital Management	1.3	0.3%	23.8%	-.%	-.%	21.5%	12/05
<i>Custom Benchmark</i>		3.0%	26.7%	-.%	-.%	24.0%	
<i>Value Added</i>		-2.7%	-2.9%	-.%	-.%	-2.5%	
<i>Performance Objective</i>		3.5%	28.7%	-.%	-.%	26.0%	
<i>Value Added</i>		-3.2%	-4.9%	-.%	-.%	-4.5%	
Barclays	1.5	2.0%	25.6%	-.%	-.%	23.0%	9/05
<i>Custom Benchmark</i>		3.0%	26.7%	-.%	-.%	23.0%	
<i>Value Added</i>		-1.0%	-1.1%	-.%	-.%	0.0%	
<i>Performance Objective</i>		3.3%	28.2%	-.%	-.%	24.5%	
<i>Value Added</i>		-1.3%	-2.6%	-.%	-.%	-1.5%	
Baring Int'l Investments	1.0	3.9%	29.3%	-.%	-.%	24.6%	12/05
<i>Custom Benchmark</i>		3.0%	26.7%	-.%	-.%	24.0%	
<i>Value Added</i>		0.9%	2.6%	-.%	-.%	0.6%	
<i>Performance Objective</i>		3.4%	28.2%	-.%	-.%	25.5%	
<i>Value Added</i>		0.5%	1.1%	-.%	-.%	-0.9%	
Robeco USA	0.7	3.2%	25.2%	26.0%	24.4%	16.6%	9/01
<i>Custom Benchmark</i>		4.1%	30.3%	26.1%	26.0%	18.2%	
<i>Value Added</i>		-0.9%	-5.1%	-0.1%	-1.6%	-1.6%	
<i>Performance Objective</i>		4.6%	32.3%	28.1%	28.0%	20.2%	
<i>Value Added</i>		-1.4%	-7.1%	-2.1%	-3.6%	-3.6%	
QMA International	1.1	3.1%	28.9%	-.%	-.%	22.7%	3/06
<i>Custom Benchmark</i>		3.0%	26.7%	-.%	-.%	20.9%	
<i>Value Added</i>		0.1%	2.2%	-.%	-.%	1.8%	
<i>Performance Objective</i>		3.2%	27.7%	-.%	-.%	21.9%	
<i>Value Added</i>		-0.1%	1.2%	-.%	-.%	0.8%	



External Manager Performance Review (continued)

International Equity – Core Europe

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Active Mainstream	11.7	3.9%	30.5%	26.5%	24.7%	8.8%	6/89
Int'l External Core Europe							
AXA Rosenberg	1.4	1.1%	28.0%	27.2%	28.0%	14.4%	3/01
<i>Custom Benchmark</i>		1.8%	28.3%	25.2%	26.0%	13.0%	
<i>Value Added</i>		-0.7%	-0.3%	2.0%	2.0%	1.4%	
<i>Performance Objective</i>		2.3%	30.3%	27.2%	28.0%	15.0%	
<i>Value Added</i>		-1.2%	-2.3%	0.0%	0.0%	-0.6%	
Capital Guardian	0.8	1.3%	25.6%	24.3%	25.5%	13.0%	3/01
<i>Custom Benchmark</i>		1.8%	28.3%	25.2%	26.0%	13.0%	
<i>Value Added</i>		-0.5%	-2.7%	-0.9%	-0.5%	0.0%	
<i>Performance Objective</i>		2.3%	30.3%	27.2%	28.0%	15.0%	
<i>Value Added</i>		-1.0%	-4.7%	-2.9%	-2.5%	-2.0%	

International Equity – Environmental

	<u>Market Value</u>	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>Incept.</u>	<u>Date</u>
Int'l Environmental	0.2	1.5%	25.8%	-.-%	-.-%	21.4%	3/06
Int'l Environmental							
Brandywine	0.1	0.2%	21.3%	-.-%	-.-%	21.7%	6/06
<i>Custom Benchmark</i>		3.0%	26.7%	-.-%	-.-%	24.8%	
<i>Value Added</i>		-2.8%	-5.4%	-.-%	-.-%	-3.1%	
<i>Performance Objective</i>		3.5%	28.7%	-.-%	-.-%	26.8%	
<i>Value Added</i>		-3.3%	-7.4%	-.-%	-.-%	-5.1%	
SSgA Environmental	0.1	2.4%	28.8%	-.-%	-.-%	24.4%	3/06
<i>Custom Benchmark</i>		3.0%	26.7%	-.-%	-.-%	20.9%	
<i>Value Added</i>		-0.6%	2.1%	-.-%	-.-%	3.5%	
<i>Performance Objective</i>		3.5%	28.7%	-.-%	-.-%	22.9%	
<i>Value Added</i>		-1.1%	0.1%	-.-%	-.-%	1.5%	



External Manager Performance Review (continued)

International Equity – Growth & Value

Int'l Active Mainstream	Market Value 11.7	Qtr 3.9%	1 Year 30.5%	3 Year 26.5%	5 Year 24.7%	Incept. 8.8%	Date 6/89
Int'l External Growth							
Alliance Large Cap Growth	0.7	6.7%	31.0%	-.-%	-.-%	22.3%	9/05
<i>Custom Benchmark</i>		4.1%	30.3%	-.-%	-.-%	24.7%	
<i>Value Added</i>		2.6%	0.7%	-.-%	-.-%	-2.4%	
<i>Performance Objective</i>		4.6%	32.3%	-.-%	-.-%	26.7%	
<i>Value Added</i>		2.1%	-1.3%	-.-%	-.-%	-4.4%	
Baillie Gifford	1.2	8.2%	40.2%	31.3%	27.4%	15.9%	6/01
<i>Custom Benchmark</i>		4.1%	30.3%	26.1%	26.0%	14.4%	
<i>Value Added</i>		4.1%	9.9%	5.2%	1.4%	1.5%	
<i>Performance Objective</i>		4.6%	32.3%	28.1%	28.0%	16.4%	
<i>Value Added</i>		3.6%	7.9%	3.2%	-0.6%	-0.5%	
New Star Institutional Managers	0.7	3.9%	29.5%	-.-%	-.-%	22.5%	9/05
<i>Custom Benchmark</i>		4.1%	30.3%	-.-%	-.-%	24.7%	
<i>Value Added</i>		-0.2%	-0.8%	-.-%	-.-%	-2.2%	
<i>Performance Objective</i>		4.6%	32.3%	-.-%	-.-%	26.7%	
<i>Value Added</i>		-0.7%	-2.8%	-.-%	-.-%	-4.2%	



External Manager Performance Review (continued)

International Equity – Growth & Value cont'd

Int'l Active Mainstream	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
	11.7	3.9%	30.5%	26.5%	24.7%	8.8%	6/89
Int'l External Value ACWI							
Alliance Strategic Value	0.8	0.9%	26.1%	-.-%	-.-%	26.6%	9/05
Custom Benchmark		4.1%	30.3%	-.-%	-.-%	24.7%	
Value Added		-3.2%	-4.2%	-.-%	-.-%	1.9%	
Performance Objective		4.6%	32.3%	-.-%	-.-%	26.7%	
Value Added		-3.7%	-6.2%	-.-%	-.-%	-0.1%	
Grantham, Mayo, Van Otterloo	1.2	2.0%	26.5%	24.2%	25.5%	16.7%	6/01
Custom Benchmark		4.1%	30.3%	26.1%	26.0%	14.4%	
Value Added		-2.1%	-3.8%	-1.9%	-0.5%	2.3%	
Performance Objective		4.7%	32.7%	28.6%	28.4%	16.9%	
Value Added		-2.7%	-6.2%	-4.4%	-2.9%	-0.2%	
Northroad (MDP)	0.1	-0.3%	16.7%	19.6%	-.-%	15.5%	12/03
Custom Benchmark		3.0%	26.7%	24.3%	-.-%	20.6%	
Value Added		-3.3%	-10.0%	-4.7%	-.-%	-5.1%	
Performance Objective		3.5%	28.7%	26.3%	-.-%	22.6%	
Value Added		-3.8%	-12.0%	-6.7%	-.-%	-7.1%	
Pyrford (MDP)	0.1	1.4%	18.3%	19.0%	20.6%	13.4%	12/01
Custom Benchmark		3.0%	26.7%	24.4%	24.9%	16.6%	
Value Added		-1.6%	-8.4%	-5.4%	-4.3%	-3.2%	
Performance Objective		3.5%	28.7%	26.4%	26.9%	18.6%	
Value Added		-2.1%	-10.4%	-7.4%	-6.3%	-5.2%	
Int'l External Value Pacific							
Nomura	1.3	7.7%	28.5%	24.4%	23.3%	6.3%	9/89
Custom Benchmark		6.2%	27.0%	23.9%	22.0%	2.2%	
Value Added		1.5%	1.5%	0.5%	1.3%	4.1%	
Performance Objective		6.7%	29.0%	26.0%	24.2%	4.4%	
Value Added		1.0%	-0.5%	-1.6%	-0.9%	1.9%	



External Manager Performance Review (continued)
International Equity – MDP⁷⁴

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Total Int'l MDP	0.4	1.5%	24.2%	21.9%	21.9%	6.1%	6/00
Total Int'l MDP Ventures	0.0	-0.9%	38.8%	65.2%	56.1%	31.7%	6/00
Arrowstreet (MDP)	0.2	2.5%	34.8%	28.4%	26.8%	10.8%	6/00
<i>Custom Benchmark</i>		4.1%	30.3%	26.1%	26.0%	8.2%	
<i>Value Added</i>		-1.6%	4.5%	2.3%	0.8%	2.6%	
<i>Performance Objective</i>		4.6%	32.3%	28.1%	28.0%	10.2%	
<i>Value Added</i>		-2.1%	2.5%	0.3%	-1.2%	0.6%	
Northroad (MDP)	0.1	-0.3%	16.7%	19.6%	-.-%	15.5%	12/03
<i>Custom Benchmark</i>		3.0%	26.7%	24.3%	-.-%	20.6%	
<i>Value Added</i>		-3.3%	-10.0%	-4.7%	-.-%	-5.1%	
<i>Performance Objective</i>		3.5%	28.7%	26.3%	-.-%	22.6%	
<i>Value Added</i>		-3.8%	-12.0%	-6.7%	-.-%	-7.1%	
Pyrford (MDP)	0.1	1.4%	18.3%	19.0%	20.6%	13.4%	12/01
<i>Custom Benchmark</i>		3.0%	26.7%	24.4%	24.9%	16.6%	
<i>Value Added</i>		-1.6%	-8.4%	-5.4%	-4.3%	-3.2%	
<i>Performance Objective</i>		3.5%	28.7%	26.4%	26.9%	18.6%	
<i>Value Added</i>		-2.1%	-10.4%	-7.4%	-6.3%	-5.2%	

⁷⁴ The MDP managers are also listed by style elsewhere in this appendix.

International Equity – Emerging Markets

	Market Value	Qtr	1 Year	3 Year	5 Year	Incept.	Date
Int'l Emerging Markets	6.2	10.1%	51.3%	40.0%	38.8%	38.8%	9/02
AllianceBernstein	1.5	10.2%	51.9%	41.0%	42.2%	42.2%	9/02
Custom Benchmark		10.7%	54.4%	39.7%	37.2%	37.2%	
Value Added		-0.5%	-2.5%	1.3%	5.0%	5.0%	
Performance Objective		11.3%	56.9%	42.2%	39.7%	39.7%	
Value Added		-1.1%	-5.0%	-1.2%	2.5%	2.5%	
Batterymarch	0.6	12.7%	-.%	-.%	-.%	12.7%	6/07
Custom Benchmark		10.7%	-.%	-.%	-.%	10.7%	
Value Added		2.0%	-.%	-.%	-.%	2.0%	
DFA	1.4	9.8%	56.8%	39.9%	39.4%	39.4%	9/02
Custom Benchmark		10.7%	54.4%	39.7%	37.2%	37.2%	
Value Added		-0.9%	2.4%	0.2%	2.2%	2.2%	
Performance Objective		11.2%	56.4%	41.7%	39.2%	39.2%	
Value Added		-1.4%	0.4%	-1.8%	0.2%	0.2%	
Genesis	1.4	7.7%	41.9%	38.3%	34.2%	34.2%	9/02
Custom Benchmark		10.7%	54.4%	39.7%	37.2%	37.2%	
Value Added		-3.0%	-12.5%	-1.4%	-3.0%	-3.0%	
Performance Objective		11.3%	56.9%	42.2%	39.7%	39.7%	
Value Added		-3.6%	-15.0%	-3.9%	-5.5%	-5.5%	
Lazard	0.6	-.%	-.%	-.%	-.%	-.%	9/2007
Custom Benchmark		-.%	-.%	-.%	-.%	-.%	
Value Added		-.%	-.%	-.%	-.%	-.%	
Pictet	0.6	12.9%	-.%	-.%	-.%	12.9%	6/07
Custom Benchmark		10.7%	-.%	-.%	-.%	10.7%	
Value Added		2.2%	-.%	-.%	-.%	2.2%	



External Manager Performance Review (continued)
International Equity – Corporate Governance

	Market Value	Qtr	1 Year	3 Year	5 Year	Date
Total Int'l Corporate Governance	2.7	-3.8%	15.0%	19.3%	22.7%	12/98
Governance for Owners	0.2	-2.6%	-.-%	-.-%	-.-%	12/06
<i>Custom Benchmark</i>		2.0%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-4.6%	-.-%	-.-%	-.-%	
Internal Governance for Owners	0.2	-.-%	-.-%	-.-%	-.-%	9/07
<i>Custom Benchmark</i>		-.-%	-.-%	-.-%	-.-%	
<i>Value Added</i>		-.-%	-.-%	-.-%	-.-%	
Hermes UK Focus	0.4	-6.0%	18.6%	19.2%	24.8%	12/99
<i>Custom Benchmark</i>		-1.8%	12.2%	16.7%	19.9%	
<i>Value Added</i>		-4.2%	6.4%	2.5%	4.9%	
Hermes Europe Focus	0.3	-2.6%	31.2%	33.3%	-.-%	9/03
<i>Custom Benchmark</i>		2.4%	31.0%	28.0%	-.-%	
<i>Value Added</i>		-5.0%	0.2%	5.3%	-.-%	
Knight Vinke	0.1	0.8%	23.3%	34.7%	-.-%	12/03
<i>Custom Benchmark</i>		2.0%	28.6%	26.0%	-.-%	
<i>Value Added</i>		-1.2%	-5.3%	8.7%	-.-%	
Knight Vinke Internal Partners	0.2	4.3%	45.0%	-.-%	-.-%	3/06
<i>Custom Benchmark</i>		2.0%	28.6%	-.-%	-.-%	
<i>Value Added</i>		2.3%	16.4%	-.-%	-.-%	
SPARX Value Creation	0.5	-9.6%	-6.8%	7.4%	-.-%	3/03
<i>Custom Benchmark</i>		-8.9%	0.4%	13.8%	-.-%	
<i>Value Added</i>		-0.7%	-7.2%	-6.4%	-.-%	
Taiyo Fund	0.7	-1.5%	14.5%	22.6%	-.-%	9/03
<i>Custom Benchmark</i>		-8.9%	0.4%	13.8%	-.-%	
<i>Value Added</i>		7.4%	14.1%	8.8%	-.-%	



External Manager Performance Review (continued)

Fixed Income – High Yield

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Total Fixed Income	67.0	3.8%	6.0%	5.1%	7.0%	6.9%
<i>Fixed Income Policy Index</i>		3.8%	5.2%	4.3%	5.3%	6.5%
External High Yield	0.6	0.5%	14.5%	11.0%	14.0%	-.-%
Highland Capital Distressed Fund	0.2	1.6%	30.9%	22.2%	25.7%	-.-%
<i>Custom Benchmark</i>		0.4%	7.4%	7.0%	8.4%	-.-%
<i>Value Added</i>		1.2%	23.5%	15.2%	17.3%	-.-%
Nomura	0.3	-0.3%	8.0%	7.5%	12.2%	-.-%
<i>Custom Benchmark</i>		0.4%	7.4%	7.0%	12.7%	-.-%
<i>Value Added</i>		-0.7%	0.6%	0.5%	-0.5%	-.-%
PIMCO	0.3	0.8%	8.7%	7.4%	12.6%	-.-%
<i>Custom Benchmark</i>		0.4%	7.4%	7.0%	12.7%	-.-%
<i>Value Added</i>		0.4%	1.3%	0.4%	-0.1%	-.-%

Fixed Income – MDP

	Market Value	<u>Qtr</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
DF Manager Development	0.2	2.8%	5.7%	4.0%	5.6%	-.-%
LM Capital	0.2	2.8%	5.7%	4.0%	4.9%	-.-%
<i>Custom Benchmark</i>		3.0%	5.2%	4.0%	4.2%	-.-%
<i>Value Added</i>		-0.2%	0.5%	0.0%	0.7%	-.-%
<i>Performance Objective</i>		3.3%	6.3%	5.0%	5.2%	-.-%
<i>Value Added</i>		-0.5%	-0.6%	-1.0%	-0.3%	-.-%



External Manager Performance Review (continued)
Fixed Income – External International

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Total Fixed Income	67.0	3.8%	6.0%	5.1%	7.0%	6.9%
<i>Fixed Income Policy Index</i>		3.8%	5.2%	4.3%	5.3%	6.5%
International Fixed Income	7.2	7.6%	9.2%	4.8%	8.2%	5.6%
Alliance Bernstein	1.3	7.3%	-.%	-.%	-.%	-.%
<i>Custom Benchmark</i>		7.7%	-.%	-.%	-.%	-.%
<i>Value Added</i>		-0.4%	-.%	-.%	-.%	-.%
Baring	0.1	8.0%	8.6%	4.3%	7.6%	5.3%
<i>Custom Benchmark</i>		7.7%	9.5%	5.0%	8.1%	5.8%
<i>Value Added</i>		0.3%	-0.9%	-0.7%	-0.5%	-0.5%
<i>Performance Objective</i>		8.1%	11.0%	6.5%	9.6%	7.3%
<i>Value Added</i>		-0.1%	-2.4%	-2.2%	-2.0%	-2.0%
Brandywine	0.6	6.0%	-.%	-.%	-.%	-.%
<i>Custom Benchmark</i>		7.7%	-.%	-.%	-.%	-.%
<i>Value Added</i>		-1.7%	-.%	-.%	-.%	-.%
Mondrian	1.2	8.8%	-.%	-.%	-.%	-.%
<i>Custom Benchmark</i>		7.7%	-.%	-.%	-.%	-.%
<i>Value Added</i>		1.1%	-.%	-.%	-.%	-.%
PIMCO	1.2	8.3%	-.%	-.%	-.%	-.%
<i>Custom Benchmark</i>		7.7%	-.%	-.%	-.%	-.%
<i>Value Added</i>		0.6%	-.%	-.%	-.%	-.%
Rogge	1.6	7.3%	9.1%	5.1%	8.5%	-.%
<i>Custom Benchmark</i>		7.0%	9.5%	5.0%	8.1%	-.%
<i>Value Added</i>		0.3%	-0.4%	0.1%	0.4%	-.%
Western	1.2	7.7%	8.4%	4.9%	8.5%	-.%
<i>Custom Benchmark</i>		7.7%	9.5%	5.0%	8.1%	-.%
<i>Value Added</i>		0.0%	-1.1%	-0.1%	0.4%	-.%



External Manager Performance Review (continued)
Fixed Income - Special Investments

	Market Value	Qtr	1 Year	3 Year	5 Year	10 Year
Special Investments	1.0	2.2%	5.5%	5.1%	5.3%	5.8%
Equitable CCMF	0.0	2.4%	9.0%	9.3%	8.1%	8.7%
MHLP-BRS	0.8	2.0%	5.3%	5.1%	5.4%	-.%
U.L.L.I. Co.	0.0	2.9%	24.1%	14.3%	9.5%	9.7%



Manager Monitoring

Wilshire will rigorously monitor each of CalPERS' externally-managed investment managers and provide quarterly updates and issues in the Executive Summary.

Domestic Equity

Geewax Terker

- The manager has underperformed its benchmark over the five-year and inception time periods. Performance was hurt by both stock and sector selection as the manager is an all cap growth manager. The manager has not changed its process, which Wilshire views favorably.

Shamrock

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. A separate memo was sent regarding Wilshire's thoughts on Shamrock. Wilshire will continue to monitor the manager closely.

New Mountain

- The manager has underperformed its benchmark for all time periods. This is a very concentrated portfolio which Wilshire monitors each quarter. Wilshire will continue to monitor the manager closely.

WAMCO

- The manager has underperformed its benchmark and performance objective for all time periods. This is an enhanced manager that uses fixed income securities to add alpha to a domestic equity overlay. WAMCO's focus on the spread sectors (mortgages and corporate bonds) have hurt performance recently as treasuries have outperformed and spreads have widened. Wilshire will continue to monitor the manager closely.

Int'l Equity

Capital Guardian

- The manager continues to outperform its benchmark since inception. However, recent performance has been behind the benchmark and performance objective due to unrewarded sector selection. Wilshire is closely monitoring the manager.

Robeco USA

- The manager continues to underperform its performance objective for all time periods. Wilshire is closely monitoring the manager.

Int'l Fixed Income

Baring

- The manager has underperformed its performance objective for all time periods. Wilshire is closely monitoring the manager.



**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Relational Investors

Third Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: March 1996

Capital Commitment: \$750 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 77.0 million	\$3,198.1 million
Distributed Capital:	\$ 43.8 million	\$2,694.9 million

Market Value (9/30/07): \$ 1,302.6 million

Investment Strategy:

Relational Investors employs a corporate governance strategy aimed at unlocking intrinsic value in underperforming, publicly traded, U.S. companies. When compared to the broader market and industry peers, these companies typically exhibit inferior performance in one or more of the following areas: operations, financial structure, long-term strategy, corporate governance policies or management. Each investment represents a significant percentage of a particular company's outstanding shares, generally 3-10%. Relational Investors then seeks to maximize investment value by initiating contact with the company's management, board of directors and other shareholders to facilitate change.

Summary Analysis:

Number of Investments: 9

Organization: No material changes for the quarter.

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through September 30, 2007, Relational's return of 18.9% has outperformed its benchmark, the S&P 500 Index, by 4.2% on an annualized basis. However, the portfolio lagged its benchmark over the quarter and produced a time-weighted return of -6.5%. Despite three of the largest holdings of the portfolio, Prudential Financial, Baxter, and National Semiconductor, having produced good earnings reports, their stocks still suffered setbacks – Prudential was impacted by the subprime mortgage crisis, Baxter voluntarily recalled a fraction of their Colleague pumps, and National Semi traded at a discount. Relational feels that some of its efforts to work with management, particularly with Unum and Analog Devices, are making progress as each company has taken some appropriate steps. Relational strongly believes these companies are on the right track and will be rewarded over time. As Analog Devices has made significant progress, Relational trimmed their holdings in seek of other opportunities.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Relational Investors
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 9/30/2007									
	YTD	2006	2005	2004	2003	2002	2001	2000	1999
Relational	3.87	9.29	9.89	16.49	40.77	0.55	7.89	73.70	17.77
S&P 500	9.17	15.81	4.89	10.87	28.69	-22.12	-11.88	-9.12	20.98
Excess Return	-5.30	-6.52	5.00	5.62	12.08	22.67	19.77	82.82	-3.21

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes U.K. Focus

Third Quarter 2007

Investment Type: U.K. Corporate Governance Fund

Inception Date: November 1999

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 199.9 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/07): \$ 421.2 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, U.K. companies. For companies that meet their initial purchase criteria, HFAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HFAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE 250 futures.

Summary Analysis:

Number of Investments: 14

Organization: Hermes hired Jorge Mayo to increase the resources in the junior level staff. There has been a large amount of personnel turnover as Herman van der Wyck retired. Hermes had Bertrand Biragnet take a more senior role.

Philosophy/Process: No material changes.

Performance Analysis:

Hermes U.K. Focused fund underperformed the FTSE All Share Index for the quarter with a relative return of -5.8% versus the market. While the fund did not have exposure to the financial sector, it does hold a number of stocks reliant on consumer spending. Galiform and Signet underperformed as macro concerns concerned investors.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes U.K. Focus
Third Quarter 2007

Performance Analysis (Continued):

	Calendar Year Performance (%)							
	As of 9/30/2007							
	YTD	2006	2005	2004	2003	2002	2001	2000
Hermes U.K.	1.75	43.99	0.58	17.72	66.65	-25.72	-6.57	0.03
FTSE All Share	5.68	16.75	13.94	21.02	34.39	-14.47	-15.52	-12.96
Excess Return	-3.93	27.24	-13.36	-3.30	32.26	-11.25	8.95	12.99

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
SPARX Asset Management
Third Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: January 2003

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 63.7 million	\$ 751.7 million
Distributed Capital:	\$ 6.3 million	\$ 450.6 million

Market Value (9/30/07): \$ 508.5 million

Investment Strategy:

The SPARX Value Creation Fund targets underperforming or undervalued companies based in Japan with a market capitalization between \$300 million and \$3 billion. The SPARX Research Platform, which is a research team of ten analysts, will use quantitative and qualitative screens to identify approximately 40 target companies from the SPARX database of 2,500 companies. The Value Creation group then will conduct in-depth research on these target companies by initiating contact with company management. These companies typically exhibit one or more of the following traits: low valuation, potential for balance sheet optimization, or potential for profit improvement. The fund looks to invest in 5-10 companies per year with 5-20% of net asset value dedicated to each investment. It will actively engage and work in partnership with management or major shareholders to unlock the investment's value over a specified period of time. The performance objective for the fund is the Topix Index + 150 basis points.

Summary Analysis:

Number of Investments: 8

Organization: No personnel turnover to the Value Creation Fund. The SPARX Group added five new analysts to its investment and research team. A new compensation system has also been implemented which links pay to performance.

Philosophy/Process: No material changes.

Performance Analysis:

SPARX's VCI strategy generated a return of -9.6% for the quarter, underperforming the TOPIX. The fund has also trailed the TOPIX year-to-date. West, a consumer finance company which SPARX bought in during the last quarter, was the biggest performance detractor. West stock was punished by investor as market sentiment on a regulatory change worsened significantly during the quarter. The portfolio's two other holdings, Hot Spring, a traditional Japanese herbal medicine maker and Silver, a manufacturer of aluminum rolled products, also detracted from performance. SPARX has since sold out of its West position and reduced its holdings on Hot Spring and Silver to look for other investment opportunities.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
SPARX Asset Management
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 9/30/2007				
	YTD	2006	2005	2004
SPARX	-8.15	-2.59	42.28	19.10
Topix Index	-3.83	1.90	44.29	11.23
Excess Return	-4.32	-4.49	-2.01	7.87

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Hermes Europe Focus

Third Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: August 2003

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 100.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/07): \$ 287.8 million

Investment Strategy:

Hermes Focus Asset Management (HFAM) employs a corporate governance strategy that seeks to unlock intrinsic value in underperforming, medium-to-large capitalization, publicly traded, European ex-U.K. companies. For companies that meet their initial purchase criteria, HLAM identifies areas where value can be improved and recommends strategies for change to the board of directors and company executives. Proposed changes focus on the structure and composition of the board and management, strategic business plans and capital structure. HLAM initially expects to invest in 5-10 companies but intends to be invested in 15 companies as assets grow. Initial positions will range from 1-3% with open market purchases of common stock, however the goal is to have influence over 15-20% of a target company's outstanding shares. All cash balances will be equitized with FTSE Europe ex-U.K. futures.

Summary Analysis:

Number of Investments: 19

Organization: Hermes hired Jorge Mayo to increase the resources in the junior level staff. There has been a large amount of turnover as Herman van der Wyck retired and Director Marco Ricci and Frederick Gazelius left the executive team. Hermes had Bertrand Biragnet take a more senior role.

Philosophy/Process: No material changes.

Performance Analysis:

Hermes had a tough quarter as the fund finished down 4.9% in USD versus the FTSE World Europe ex UK Index. The portfolio was impacted by the global sell-off in equities. AWD produced negative results as an aggressive new competitor entered into the market and rumors swirled about regional managers of AWD joining the new company. The company Hagemeyer also underperformed as investors were concerned about slow growth in the UK and the US.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Hermes Europe Focus
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 9/30/2007				
	YTD	2006	2005	2004
Hermes Europe	13.70	48.49	17.08	32.89
FTSE Europe ex-U.K.	16.92	36.95	10.95	22.07
Excess Return	-3.22	<i>11.54</i>	<i>6.13</i>	<i>10.82</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Taiyo Pacific Partners/WL Ross

Third Quarter 2007

Investment Type: Japanese Corporate Governance Fund

Inception Date: July 2003

Capital Commitment: \$199.6 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 150.0 million	\$ 450.1 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/07): \$ 704.2 million

Investment Strategy:

Taiyo Pacific Partners/WL Ross believe that public equity investors in Japan can be rewarded with superior returns by investing in companies that will implement corporate governance improvements. The investment strategy has two elements. First, identify undervalued stocks utilizing Taiyo's asset value and earnings potential analysis. Second, create valuation improvements by means of a three-phase corporate governance strategy. The three phases are: improving transparency and disclosure, improving corporate profitability, and improving shareholder value. Taiyo proposes to use its own proprietary database to identify target companies. Once identification is made, Taiyo's strategy is to be a constructive shareholder with those companies willing to make corporate governance improvements.

Summary Analysis:

Number of Investments: 24

Organization: Taiyo launched the Pearl Fund during the quarter. Taiyo brought in Makoto Egami, who will be covering the auto/machinery industries. Taiyo also received an additional \$200 million from CalPERS and \$20 million from Duke Endowment during the quarter.

Philosophy/Process: No material changes.

Performance Analysis:

The Taiyo Fund returned -1.5% for the quarter, outperforming the TOPIX Index and continues to perform well year-to-date. Daiseiki, a waste disposal company and Sumo, a newly established position that operates leisure facilities, were the main performance contributor. The fund's largest position, Miraca, also reported modest gains as the company improved its profit margins with Taiyo's help. Taiyo will now focus on assisting TOPCON, its second biggest holding, to develop better forecasting ability and improve investor relations.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Taiyo Pacific Partners/WL Ross
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 9/30/2007				
	YTD	2006	2005	2004
Taiyo	3.71	9.08	56.46	27.03
Topix Index	-3.83	1.90	44.29	11.23
Excess Return	<i>7.54</i>	<i>7.18</i>	<i>12.17</i>	<i>15.80</i>

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Third Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: September 2003

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 16.1 million	\$ 471.6 million
Distributed Capital:	\$ 78.4 million	\$ 481.3 million

Market Value (9/30/07): \$ 163.2 million

Investment Strategy:

Knight Vinke believes that in the absence of effective corporate governance and a truly independent board, the separation of ownership and management can create the opportunity for management to act in its own self interest rather than that of the shareholders. The strategy looks to identify underperforming stocks of companies that are fundamentally strong where redress of the underperformance is possible in a reasonable amount of time. The firm believes that detailed fundamental analysis can identify underperforming companies that have strong operating businesses, but are in need of a corporate finance solution to a factor or factors that specifically is depressing the share price. To identify such companies the firm uses several sources: its own screening process through market information services such as Bloomberg, their own industry knowledge, outside brokers, other institutional shareholders, other corporations, industry manager who may have recently retired, or corporate finance professionals.

Summary Analysis:

Number of Investments: 7

Organization: Knight Vinke hired Guillaume Jezequel, a vice president for the investment team in the human resources department. Knight Vinke continues to interview investment professionals but has not found anyone to date.

Philosophy/Process: No material changes.

Performance Analysis:

The fund underperformed the FTSE World Series Europe Index during the quarter as the fund returned in base terms -2.48%. However, the fund has outperformed since inception with an IRR of 26.59% versus the benchmark IRR of 17.92%. For HSBC, Knight Vinke issued press releases with its activist agenda for the company and enlisted Boston Consultant Group to help assess market specifics for strategic alternatives. Knight Vinke indicated it may take a significant amount of time to unlock shareholder value. For Project Adriatica, Knight Vinke is close to going public with their investment in four European energy companies. The current portfolio is exposed to two sectors, for example, which will require that KV make the right call on both the companies and the sectors. KV must continue to execute on every investment because of the lack of diversification found in such a concentrated portfolio. However, KV has about 4 or 5 potential investments in the pipeline.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Knight Vinke
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)				
As of 9/30/2007				
	YTD	2006	2005	2004
Knight Vinke	8.77	51.12	28.08	24.73
FTSE All World Europe	15.17	35.15	10.81	21.51
Excess Return	-6.40	15.97	17.27	3.22

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Shamrock Capital
Third Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: December 2004

Capital Commitment: \$100 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 17.6 million	\$ 149.0 million
Distributed Capital:	\$ 0.0 million	\$ 32.8 million

Market Value (9/30/07): \$ 128.6 million

Investment Strategy:

Shamrock believes that combining a deep value investment orientation with an activist shareholder approach founded upon best governance practices, results in superior returns for long-term investors. They seek to find underperforming but fundamentally sound businesses, where they can substantially improve shareholder value with their application of good governance practice. They choose to look at companies they can purchase at a significant discount (<40%) to the underlying value and find free cash flow available to owners that typically exceed 10%. Once these criteria are met, Shamrock will only invest if they believe they can persuade the Board and/or management to believe in their activist strategy to make fundamental changes to the governance structure and business. After investing, persistence and careful monitoring is the key to unlocking value.

Summary Analysis:

Number of Investments: 13

Organization: Shamrock added two mid-level individuals to the investment team, and brought in two additional individuals..

Philosophy/Process: No material changes.

Performance Analysis:

Since inception through September 30, 2007, Shamrock's time-weighted performance has trailed its benchmark. However, Shamrock reported that the fund's recent performance has picked up and feels it will start seeing results in the near future. For the third quarter, Shamrock's stock had a small setback as iPass and Coinstar underperformed. Shamrock feels its investment thesis for iPass, its largest holding, is correct and recently joined the board. Shamrock indicated they are on track to meeting the strategic objective for iPass in the next three quarters. Also, Shamrock sold Agile during the quarter and believes its thesis on ProQuest is still valid.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Shamrock Capital
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)		
As of 9/30/2007		
	YTD	2006
Shamrock	-2.89	1.49
Russell 2000	3.17	18.35
Excess Return	-6.06	-16.86

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Third Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: July 2005

Capital Commitment: \$125 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 2.0 million	\$ 120.8 million
Distributed Capital:	\$ 6.3 million	\$ 9.7 million

Market Value (9/30/07): \$ 198.4 million

Investment Strategy:

Blum believes that its private equity investment approach executed in the small- and mid-cap sectors of the public market results in superior returns for long-term investors. Blum seeks to find undervalued “good businesses”, where it can substantially improve shareholder value by working in partnership with management and Boards of Directors to implement value-enhancing strategies. Blum chooses to look at companies with a 10% cash-on-cash yield combined with a projected 10% growth rate in the free cash flow. Once the criteria are met, Blum will only invest if it believes that management and the Board will be receptive to its suggestions. The benchmark for Blum is an absolute return of 8% per annum.

Summary Analysis:

Number of Investments: 19

Organization: Jeff Green joined as Vice President, John Eiding joined as Associate.

Philosophy/Process: No material changes.

Performance Analysis:

Blum's portfolio generated a return of -9.6% during the quarter and underperformed the Russell 2000 Index. Getty Images, an online imagery provider, was the largest performance detractor as the company issued surprised negative earnings news. Blum has since brought in an industry consultant to analyze Getty's competitive advantage and the on-going industry trends. Based on the study results and an up-coming meeting with the company's management, Blum will decide its next step with this investment. The portfolio's other larger holdings, including Janus Capital and Kinetic Concepts, are doing well and Blum expects to continue a close working relationship with these companies.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Blum Strategic Partners III
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%)		
As of 9/30/2007		
	YTD	2006
Blum	5.19	9.46
Russell 2000	3.17	18.35
Excess Return	2.02	-8.89

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

New Mountain Vantage

Third Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: January 2006

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 200.0 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/07): \$ 218.8 million

Investment Strategy:

New Mountain's strategy is to proactively identify deeply undervalued companies through intensive research and then to unlock the value of these companies by working with management to improve the businesses for the benefit of all shareholders. New Mountain will pursue this value-added strategy for the many situations where a negotiated purchase of control of a public company is not available, but where New Mountain can acquire public shares in the open market and use its style of active ownership to increase the value of the firm's stock. They begin with a "Top-Down" approach, looking at sectors that have stable demands with high growth potentials. They seek companies where barriers to new entry are high, companies have pricing power, and where free cash flow generation characteristics are strong.

Summary Analysis:

Number of Investments: 34

Organization: No changes to report for this period.

Philosophy/Process: No material changes.

Performance Analysis:

New Mountain lagged its index, the S&P 500, for the quarter as the majority of its stocks underperformed. New Mountain has been spending the majority of its time and resources on National Fuel and while they have had good dialogue with the company they are running three people for the board which will give them significant influence. New Mountain has also invested in a few media stocks and they are deciding what course of action to recommend to the companies. New Mountain trails the S&P over a one-year period.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
New Mountain Vantage
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 9/30/2007		
	YTD	2006
New Moutain	2.38	
S&P 500	9.17	
Excess Return	-6.79	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Breeden Partners

Third Quarter 2007

Investment Type: U.S. Corporate Governance Fund

Inception Date: June 2006

Capital Commitment: \$400 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 105.3 million	\$ 533.5 million
Distributed Capital:	\$ 0.0 million	\$ 48.5 million

Market Value (9/30/07): \$ 503.8 million

Investment Strategy:

Breeden's philosophy is to invest in US companies that are experiencing underperformance and diminished valuation due to correctable problem in policy and governance. The Fund will target mid-to-large-cap companies ranging from \$500 million to \$10 billion in market capitalization. The portfolio will be concentrated and will typically hold 8 to 12 positions. The objective of the Fund is to outperform the S&P 500 Index by 10% over the long-term.

Summary Analysis:

Number of Investments: 8

Organization: No material changes.

Philosophy/Process: No material changes.

Performance Analysis:

Breeden's concentrated portfolio experienced a negative quarter of lagging performance (-5.8% versus 2.0% for the S&P 500 Index), with a handful of holdings doing well. Breeden is making steady progress with each of their holdings. The largest holding, Hillenbrand, has taken steps to split its hospital bed business from the casket business, which will become official in February 2008. After a proxy fight, Breeden has won three seats on the Board for H&R Block, their second largest holding. After having formed a positive and supportive relationship with the other major shareholders of ACCO, Breeden's third largest holding, Breeden will begin formal communication with the Board shortly to express their concern over the delay in ACCO's merger with General Binding. The Applebee acquisition by IHOP will be finalized in the next ten days. Breeden added one new position to their portfolio, Zales, a mall-based low end jewelry chain store, where they see an opportunity in turning around the business and improving their operations. Breeden indicates that it will continue to look for attractive opportunities in the small/small-mid cap space to build out its portfolio.

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Breedon Partners
Third Quarter 2007**

Performance Analysis (continued):

Calendar Year Performance (%) As of 9/30/2007		
	YTD	2006
Breedon Partners	3.20	
S&P 500	9.17	
Excess Return	-5.97	N.A

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM**

Governance for Owners

Third Quarter 2007

Investment Type: European Corporate Governance Fund

Inception Date: October 2006

Capital Commitment: \$200 million

	<u>Quarter</u>	<u>Since Inception</u>
Contributed Capital:	\$ 0.0 million	\$ 199.6 million
Distributed Capital:	\$ 0.0 million	\$ 0.0 million

Market Value (9/30/07): \$ 241.1 million

Investment Strategy:

GO's philosophy is to invest in fundamentally sound quoted companies in Europe where shares are trading at a discount due to correctable management or strategic issues. GO has a performance objective of five percentage points over the return of the FTSE Developed Europe Total Return Index on an annualized basis. The fund is expected to have 10 to 15 equity positions when it is fully invested with futures used to equitize any meaningful cash balances.

Summary Analysis:

Number of Investments: 10

Organization: GO opened a Tokyo office to handle marketing responsibilities during the quarter.

Philosophy/Process: No material changes.

Performance Analysis:

Governance for Owner's portfolio underperformed the FTSE All World Europe Index during the quarter and returned -7.5%. Corporate Supplies was the worst relative performer among GO's holdings. Poor operating results coupled with reduced bid interests led to reduced investor confidence, resulting in a sell off of the stock. GO will continue to help Corporate Supplies shake up its management team and will closely monitor the progress. Protection Equipment was another large detractor during this period, as investors reacted negatively to the company's lack of communication regarding a pending lawsuit. GO believes the Protection Equipment can further improve its governance structure and viewed this as a buying opportunity to add more shares. GO is continuing with its expansion plan and recently opened an office in Tokyo, but also pledged to stay focused working with its portfolio companies.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
CORPORATE GOVERNANCE INVESTMENT PROGRAM
Governance for Owners
Third Quarter 2007

Performance Analysis (Continued):

Calendar Year Performance (%) As of 9/30/2007		
	YTD	2006
Governance for Owners	18.70	
FTSE All World Europe	15.17	
Excess Return	3.53	N.A